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June E. O'Neill
Director

March 22, 1995

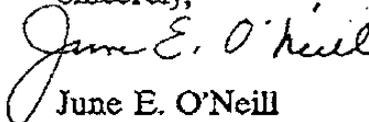
Honorable Nathan Deal
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Deal:

At the request of your staff, the Congressional Budget Office has prepared the enclosed preliminary cost estimate for H.R. 1267, the Individual Responsibility Act of 1995. The estimate is based on the March 17 draft of the bill and on conversations with your staff and may not correspond in all respects with the introduced bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,


June E. O'Neill

PRELIMINARY ESTIMATE OF H.R. 1267

CBO estimates that H.R. 1267 would reduce mandatory federal outlays by \$0.8 billion in 1996, but increase them by \$1.6 billion in 2000. Revenues would increase by \$0.2 billion in 1996 and by \$1.4 billion in 2000. The bill would also lower the caps on discretionary spending by \$1.4 billion in 1996-1998, although that change would not by itself reduce spending. Provisions of the bill with major budgetary impacts are summarized below and in the attached table. Estimates of spending provisions were done by the Congressional Budget Office, and estimates of tax provisions were provided by the Joint Committee on Taxation.

Federal Budgetary Effects

Titles I-III. Key provisions of Titles I through III would change the way states provide job training for recipients of Aid to Families with Dependent Children (AFDC). First, the bill would concentrate on moving recipients through work and training programs within two years. Second, if recipients exceeded two years in training, states would be encouraged to place them in community-service jobs. Third, states would terminate AFDC for recipients who have received cash aid for more than four years since their training commenced.

The bill would fund additional work and training activities by raising the existing federal spending cap for the Jobs Opportunities and Basic Skills Training program (JOBS), which would be renamed the Work First program. The cap would increase from \$1.0 billion in every year under current law to \$1.5 billion in 1997 and to \$3.1 billion in 2000. In addition, the federal share of training spending would be increased from 61 percent to an average of 72 percent. CBO projects that states could meet the bill's requirements on participation without drawing all the available funds. Federal spending on work and training activities—net of related welfare savings—is estimated to increase by \$0.5 billion in 1996 and by \$1.2 billion in 2000.

CBO estimates that the average number of monthly work and training participants in 2000 would increase from about 600,000 under current law to approximately 1.1 million under the standards of participation outlined in the bill. The increased participation would generate additional spending on AFDC-related child care of \$0.3 billion in 1997 and \$1.3 billion in 2000.

In addition to changes in job training, Section 201 would expand the transitional Medicaid program for people who leave AFDC due to an increase in their earnings. Benefits would be provided for up to 24 months after a family leaves AFDC rather than for 12 months, as under current law. The change would cost \$0.8 billion in 2000. Section 222 would reorganize federal funding of child care, repealing the Child Care and Development Block Grant and the At-Risk child care program and providing funding through a new section of the Social Services Block Grant. This provision adds an estimated \$1.2 billion to direct spending in 2000.

Title II would also make the child care tax credit in current law refundable (increasing payments to lower-income families by \$0.2 billion in 2000) and would phase out the credit for higher-income families (increasing revenues by \$0.7 billion in 2000).

Title IV. Title IV would change many aspects of the operation and financing of the federal/state child support enforcement system. CBO estimates that Title IV would increase federal spending by roughly \$40 million in 1996 and \$0.3 billion in 2000. It would mandate the use of enforcement techniques with a potential to increase collections, authorize new spending on computer systems, and create a transitional Medicaid benefit for people made ineligible for AFDC due to their child support income. In 2000, federal welfare savings generated by the improved enforcement measures (-\$0.3 billion) would be more than offset by costs associated with the enhancement of computer systems (+\$0.2 billion), the transitional Medicaid benefit (+\$0.3 billion), and other changes (+\$0.1 billion).

Titles V and VI. Titles V and VI would make numerous changes to the AFDC and Food Stamp programs, some of which are designed to make the rules for determining eligibility consistent between the two programs. Adoption of a number of the key proposals in these titles would be optional for the states, making their budgetary effects uncertain. CBO estimates that Titles V and VI would increase federal mandatory spending by \$0.3 billion in 2000. Most of the new spending (\$0.5 billion in 2000) would be generated by two provisions (Sections 505 and 641) that would allow states to drop special rules designed to limit eligibility in the AFDC-Unemployed Parent program. Those increases would be offset by annual savings of \$0.2 billion attributable to Section 611, which would treat Low Income Home Energy Assistance Program (LIHEAP) benefits as income for purposes of calculating AFDC benefits.

Title VII. Title VII of the bill would replace Title IV-B of the Social Security Act with a Child Protection Block Grant Program. The Family Preservation and Support Program would be eliminated, as would authorizations of appropriations for child welfare services, research, and training. In addition, a number of small discretionary child protection programs would be repealed. The bill would instead provide a stated amount in each year in direct spending for the block grant.

Title VIII. Title VIII would reform provisions of the Supplemental Security Income (SSI) program governing two distinct groups: disabled children and drug addicts and alcoholics. The bill would narrow the scope of the SSI program for disabled children by repealing the provision that a disabling condition be of "comparable severity" to one that would disable an adult, a provision that the courts (in the Zebley decision) interpreted to require individual functional assessments (IFAs). Instead, children would be able to qualify for SSI only if they met or equaled an expanded listing of impairments promulgated in regulation. To mitigate the consequences of eliminating IFAs, the bill directs the Social Security Administration to review those listings and issue new ones, particularly with an eye to permitting children with multiple impairments who might now come on through an IFA to continue qualifying for the program. The bill bars "maladaptive behavior"—behavior in

which a child acts destructively toward himself, others, animals, or property--from being a basis for award. CBO assumes that the combination of tightening the severity standards and barring awards based on maladaptive behavior will trim approximately 20 to 25 percent of children from the SSI rolls. CBO estimates that the resulting savings would amount to \$0.3 billion in 1996, \$1.0 billion in 1997, and \$1.5 billion in 2000.

The provisions governing drug addicts and alcoholics (DA&As) in the SSI program are identical to those of H.R. 1214. The bill would remove from the SSI rolls all disabled people whose addiction is a material factor contributing to the finding of disability, eliminate the requirement for federal contracts with referral and monitoring agencies (RMAs) on behalf of such beneficiaries, remove DA&As from Medicaid, and add \$100 million a year in mandatory funding beginning in 1997 to two treatment and research programs. CBO has estimated that these provisions would save \$0.4 billion a year.

Title IX. Title IX would extend the deeming of sponsors' income in three programs--SSI, food stamps, and AFDC--until the alien becomes a citizen. The bill would affect legal aliens seeking benefits after October 1, 1995, and a few people on the rolls on that date. Deeming is a practice whereby the sponsors' income is weighed when determining an alien's eligibility for and amount of benefits. Several groups are already statutorily exempt from deeming--namely, aliens without sponsors (such as refugees) and those disabled since arrival. The bill would exempt some additional groups: beneficiaries age 75 or older who have been in the country for at least five years, veterans, active duty military personnel, victims of domestic violence, and aliens who have paid Social Security taxes for at least 20 quarters. The estimated savings from deeming sponsors' income until citizenship for the remaining aliens mount from \$0.1 billion in 1996 to \$1 billion in 2000. The bill also would require more aliens entering the country in the future to have financial sponsors, a provision that is expected to have relatively small effects on federal outlays for benefits in the 1996-2000 period.

Another provision of Title IX would limit the payment of emergency benefits in the family support program. That provision is expected to save amounts ranging from \$0.1 billion in 1997 to \$0.3 billion in 2000.

The remaining provisions of Title IX affect the tax code. Benefit payments from the AFDC and Food Stamp programs would be included in income subject to income tax, raising an estimated \$0.5 billion to \$0.6 billion a year in 1997 through 2000 (and less in 1996). The Earned Income Tax Credit (EITC) would be pared back in two ways: first, by denying the credit to persons not authorized to be employed in the U.S. (through stepped-up enforcement of requirements for valid taxpayer identification numbers), and second, by phasing out the EITC for taxpayers who report more than \$2,500 of interest and dividend income. These EITC provisions together increase revenues by about \$0.1 billion a year and reduce outlays by \$0.4 billion a year in 1997 through 2000.

Title X. Title X would make changes to food stamps and commodity programs. CBO estimates that total food stamp spending would be about \$0.6 billion lower in 1996 under this bill than under current law, and \$1 billion lower in 2000. Savings stem primarily from provisions that would lower food stamp maximum benefits to 102 percent of the thrifty food plan rather than 103 percent, freeze the standard deduction for one year, and count energy assistance as income in the food stamp program. CBO has not completed an estimate of the work requirement provisions, but expects the costs or savings to be negligible. The bill would require states to provide employment and training opportunities for all participants who would otherwise lose eligibility after six continuous months of food stamp receipt. It also would provide additional federal funding for employment and training. Small savings would be expected to the extent that recipients failed to comply with work requirements, but costs would be anticipated for the increased funding. The bill also consolidates commodity distribution programs and reauthorizes them at \$300 million each fiscal year.

Potential Impacts on State and Local Government Spending

The effects of H.R. 1267 on the budgets of state and local governments are uncertain, because the bill would afford states a high degree of flexibility in implementing the proposed changes. The following discussion outlines the key proposals with a potential to affect state and local spending. The estimates are based on CBO assumptions about future state behavior, which is difficult to predict.

Several provisions of the bill are likely to increase state and local spending. The training expansions in Titles I through III of the bill could increase state and local spending by about \$0.5 billion in 2000; however, the estimate is highly uncertain because states would have wide discretion in designing their programs. States are estimated to spend roughly \$0.8 billion more for Medicaid in 2000 due to the expansion of the existing Transitional Medicaid program (Section 201) and the creation of a new transitional program for former recipients of AFDC who receive child support payments (Section 482). Other provisions would provide states the option to spend more on AFDC by enacting policies that would liberalize eligibility rules in that program.

Other provisions, in contrast, are likely to reduce state and local spending. Decreases of \$0.1 billion in state and local spending would likely result through the increased payment of child support that would stem from the enactment of Title IV. State spending would decline by about \$0.2 billion in 2000 because of the requirement in Title VI that LIHEAP benefits be treated as income in AFDC. States could also reduce AFDC spending by limiting benefits for additional children born to recipients of aid and eliminating benefits for minor mothers.

Title IX's provisions, which would restrict federal welfare benefits for certain legal aliens who have sponsors, could either increase or decrease state and local spending, depending on a variety of factors. State and local spending for affected legal immigrants would automatically be reduced in two program: AFDC (a joint federal/state program) and SSI

(which is typically supplemented by states). Legal immigrants cut off from federal benefits, however, might turn to state- and locally-funded general assistance (GA) instead.

Last, states with income tax codes that mimic the Federal code's definition of taxable income could collect more receipts under H.R. 1267. That is because inclusion of certain welfare benefits in gross income could subject more income to state taxation as well.

PRELIMINARY ESTIMATE OF H.R. 1267

Estimate based on draft language dated March 17, 1995 (12:23 a.m.)

03/22/95

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(by fiscal year, in millions of dollars)

Title	1995	1996	1997	1998	1999	2000
DIRECT SPENDING OUTLAYS						
PROJECTED SPENDING UNDER CURRENT LAW						
Family Support Payments	18,223	18,544	19,048	19,534	20,132	20,793
Food Stamp Program	25,120	25,930	27,400	28,900	30,390	32,030
Supplemental Security Income	24,322	24,497	29,894	32,967	36,109	42,749
Medicaid	89,216	99,292	110,021	122,060	134,830	148,116
Foster care/Adoption Assistance and Family Preservation	3,540	4,146	4,508	4,830	5,356	5,809
Drug Treatment Program	0	0	0	0	0	0
Social Services Block Grant	2,920	3,130	3,100	2,945	2,840	2,805
Earned Income Tax Credit	17,260	20,392	22,904	23,880	24,938	25,982
Refundable portion of child care tax credit	0	0	0	0	0	0
Total	180,601	195,991	216,875	235,216	254,595	278,284
PROPOSED CHANGES						
Family Support Payments	0	56	694	1,384	1,527	2,490
Food Stamp Program	0	(470)	(831)	(951)	(1,009)	(1,045)
Supplemental Security Income	0	(743)	(1,852)	(2,230)	(2,557)	(3,100)
Medicaid	0	(108)	124	659	1,255	1,424
Foster care/Adoption Assistance and Family Preservation	0	475	480	465	478	493
Drug Treatment Program	0	0	45	80	100	100
Social Services Block Grant	0	0	1,260	1,445	1,450	1,450
Earned Income Tax Credit	0	0	(405)	(416)	(408)	(405)
Refundable portion of child care tax credit	0	0	152	208	208	212
Total	0	(790)	(333)	642	1,044	1,519
PROJECTED SPENDING UNDER H.R. 1264						
Family Support Payments	18,223	18,600	19,742	20,918	21,659	23,283
Food Stamp Program	25,120	25,460	26,569	27,949	29,391	30,985
Supplemental Security Income	24,322	23,754	28,042	30,737	33,552	39,649
Medicaid	89,216	99,184	110,145	122,719	136,085	149,540
Foster care/Adoption Assistance and Family Preservation	3,540	4,621	4,988	5,395	5,834	6,302
Drug Treatment Program	0	0	45	80	100	100
Social Services Block Grant	2,920	3,190	4,360	4,390	4,290	4,255
Earned Income Tax Credit	17,260	20,392	22,499	23,464	24,530	25,577
Refundable portion of child care tax credit	0	0	152	208	208	212
Total	180,601	195,201	216,542	235,858	255,639	279,903

Notes: Details may not add to totals because of rounding

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(by fiscal year, in millions of dollars)

Title	1995	1996	1997	1998	1999	2000
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REVENUES

Projected revenues under current law	1,355,213	1,417,720	1,475,496	1,546,405	1,618,306	1,697,488
Proposed changes (on-budget)	0	200	977	1,157	1,213	1,369
Projected revenues under H.R. 1264	1,355,213	1,417,920	1,476,473	1,547,562	1,619,519	1,698,857

AUTHORIZATIONS OF APPROPRIATIONS

AUTHORIZATION LEVEL UNDER CURRENT LAW

Estimated Authorization Level	1,532	336	337	337	337	338
Estimated Outlays	1,503	1,396	770	402	337	337

PROPOSED CHANGES TO AUTHORIZATION LEVELS

Estimated Authorization Level	0	(1)	18	18	18	17
Estimated Outlays	0	11	20	18	18	18

AUTHORIZATION LEVEL UNDER H.R. 1214

Estimated Authorization Level	1,532	335	355	355	355	355
Estimated Outlays	1,503	1,407	789	420	355	355

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(by fiscal year, in millions of dollars)

Title	1996	1997	1998	1999	2000	Total
SUMMARY OF ESTIMATED EFFECTS						
I: Time-limited Transitional Assistance						
Authorizations of Appropriations						
Authorization Level	10	5	5	5	5	30
Estimated Outlays	8	6	5	5	5	29
II: Make Work Pay						
Direct Spending						
Budget Authority	0	1,777	2,866	3,498	3,952	12,093
Outlays	0	1,637	2,861	3,498	3,952	11,948
Revenues	0	380	550	605	656	2,191
III: The Work First Program						
Direct Spending						
Budget Authority	0	545	475	655	1,155	2,830
Outlays	0	545	475	655	1,155	2,830
Authorizations of Appropriations						
Authorization Level	25	50	50	50	50	NA
Estimated Outlays	13	38	50	50	50	NA
IV: Family Responsibility and Improved Child Support Enforcement						
Direct Spending						
Budget Authority	39	240	446	268	337	1,330
Outlays	39	240	446	268	337	1,330
V: Teen Pregnancy and Family Stability						
Direct Spending						
Budget Authority	2	73	152	234	334	795
Outlays	2	73	152	234	334	795
VI: Program Simplification						
Direct Spending						
Budget Authority	0	(158)	(145)	(95)	(40)	(438)
Outlays	0	(158)	(145)	(95)	(40)	(438)
VII: Child Protection Block Grants						
Direct Spending						
Budget Authority	428	442	458	473	499	2,300
Outlays	475	480	465	478	493	2,391
Authorizations of Appropriations						
Authorization Level	(336)	(337)	(337)	(337)	(338)	NA
Estimated Outlays	(252)	(324)	(337)	(337)	(337)	NA
VIII: SSI Reform						
Direct Spending						
Budget Authority	(811)	(1,372)	(1,459)	(1,662)	(1,943)	(7,247)
Outlays	(689)	(1,383)	(1,499)	(1,635)	(1,922)	(7,108)
IX: Financing						
Subtitles A and B						
Direct Spending						
Budget Authority	(107)	(882)	(1,183)	(1,404)	(1,695)	(5,271)
Outlays	(107)	(882)	(1,183)	(1,404)	(1,695)	(5,271)
Subtitle C-Tax Provisions						
Revenues	200	597	607	608	713	2,725

(continued)

PRELIMINARY ESTIMATE OF H.R. 1267

03/22/95

Estimate based on draft language dated March 17, 1995 (12:23 a.m.)

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(by fiscal year, in millions of dollars)

Title	1996	1997	1998	1999	2000	Total
X: Food Assistance Reform						
Direct Spending						
Budget Authority	(530)	(885)	(930)	(955)	(995)	(4,295)
Outlays	(530)	(885)	(930)	(955)	(995)	(4,295)
Authorizations of Appropriations						
Authorization Level	300	300	300	300	300	NA
Estimated Outlays	253	300	300	300	300	NA
XI: Deficit Reduction	0	0	0	0	0	0

TOTAL DIRECT SPENDING						
Budget Authority	(979)	(220)	680	1,012	1,604	2,097
Outlays	(790)	(333)	642	1,044	1,619	2,182
TOTAL AUTHORIZATIONS OF APPROPRIATIONS						
Authorization Level	(1)	18	18	18	17	NA
Estimated Outlays	11	20	18	18	18	NA
REVENUES	200	977	1,157	1,213	1,369	4,916
Memoranda:						
Reduction in discretionary spending limits	(1,420)	(1,420)	(1,470)	0	0	(4,310)
New authorizations relative to 1995 appropriation						
Budget Authority	(1,196)	(1,176)	(1,176)	(1,176)	(1,176)	(5,900)
Outlays	(399)	(1,134)	(1,362)	(1,195)	(1,195)	(5,304)
New authorizations relative to 1995 appropriation adjusted for inflation						
Budget Authority	(1,247)	(1,280)	(1,339)	(1,397)	(1,458)	(6,721)
Outlays	(420)	(1,213)	(1,524)	(1,390)	(1,450)	(5,998)

<i>Page 1</i>	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
AFDC Administration	AFDC and EA provide income support to low-income families and children. JOBS is an employment and training program for mandatory AFDC recipients. The federal government establishes broad eligibility criteria for AFDC and EA benefits and guidelines for the JOBS program. States determine benefit levels which must be applied uniformly to all families in similar circumstances. Section 1115 waiver authority allows states to test alternative policies under AFDC that fulfill the purposes of the Social Security Act.	Maintains current law for AFDC and EA. Replaces JOBS program with Work First program.	AFDC, JOBS and EA would be repealed and replaced with a block grant. States would determine eligibility, availability, and administration.
AFDC Funding	States are required to match the federal dollars provided for AFDC, EA, and JOBS. The matching rate for AFDC benefits is the Medicaid (FMAP) rate (ranging from 50 to 79 percent across the states). The matching rate for EA benefits is 50 percent. The JOBS match rate is also set at the FMAP rate, but with a floor of 60 percent. The federal government funds 50 percent of administrative expenditures.	Retains state match requirement. Increases federal financial share of work program to FMAP + 10 percentage points, with a floor of 70 percent.	The block grant would be \$15,390,296,000 billion for each year for 1996 to 2000. Each state would be allotted a fixed amount of the funds based on a formula reflecting recent expenditures on AFDC and EA benefits, JOBS, and AFDC administration. No state match would be required and the grant would not be adjusted for inflation. Administration estimates show that this would cut spending to states by approximately \$11.8 billion over 5 years.

Page 2	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Adjustments	No adjustments are needed. Federal dollars increase if the eligible population grows due to changing economic or demographic conditions.	Same as current law.	Yearly adjustments would be made based on proportionate population growth with additional allotments coming from a \$100 million fund. No adjustments would be made for changes in a state's economic conditions or increases in poverty. State allotments would also be adjusted by the ratio of out-of-wedlock births and abortion increases over total births. States could put unspent funds into rainy day account for years when more money is needed. Amounts above 120% of annual allocation may be transferred to general revenue, and could be used for any purpose. Eligible states could also borrow against \$1 billion national rainy day account. Repayments with interest would be due within 3 years.
AFDC Entitlement and Prohibitions	AFDC is an entitlement program for needy families with children regardless of their parent's marital status. Recipients of SSI and Foster Care payments are not eligible for AFDC. Eligible individuals are entitled to aid at state-established benefit levels. States receive federal matching dollars for expenditures without a cap. Benefits are guaranteed in recessions and fiscal downturns.	Same as current law.	Repeals individual entitlement to AFDC. States would be prohibited from using funds for benefits to families on the rolls 5 cumulative years, individuals receiving SSI and assistance under the child protection block grant (unless their income has been counted in determining eligibility), most non-citizens, minor mothers with children, children born to families already on AFDC, and families not cooperating with the state child support enforcement agency.
Time Limits	Individuals can receive benefits as long as they meet AFDC income and categorical eligibility criteria.	Four-year time limit for families assigned to Work First and Workfare. Recipients would receive benefits under the Work First program for 2 years. Then states can terminate benefits or take the option of requiring participation in the Workfare Program for 2 more years. Months when an individual works more than 25 hours per week do not count against the limit. The number of extensions allowed is 10% (15% with approval of the Secretary) of the number of participants in the prior year (increasing to 15% in FY 2004).	Cumulative 5 years maximum for recipients, states would be allowed to exempt 10% of caseload. However, since states would define eligibility rules, they could implement any time limit less than 5 years.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)Participation
Requirements

In FY 94, 15 percent of single-parent families were required to participate in JOBS activities for at least 20 hours per week. This increased to 20 percent in FY 95.
For FY 94, 40 percent of two-parent families were required to participate in work activities for at least 16 hours per week. This increases to 75 percent by FY 97.

Participation rate is 16% of all adult recipients in FY 97 and increases to 52% in FY 2003. Participation rate includes participants in both the Work First and Workfare programs. In calculating the participation rate, states would receive credit for individuals working at least 25 hours per week for the first 12 months they were working. Individuals using the job voucher would also count towards the participation requirement.

States must meet requirement that 4 percent of all families participate in work program in FY97, eventually rising to 50 percent. Rates for two-parent families would start at 50 percent and increase to 90 percent. A state's participation rate would be reduced by the same percentage as the state AFDC caseload was reduced from 1995 levels, but reductions required by federal law would not count. Single parent families would be required to participate for 20 hours per week, rising to 35 hours per week by FY02. Two-parent families would be required to participate 35 hours per week.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)

Work Program

Employable recipients are required to participate in JOBS activities, which include job search, education, training, and work activities, immediately. States have option to run Community Work Experience Program and Work Supplementation Program for single-parent families and are required to provide work activities to two-parent families.

Work First program is created. States use the Federal model for up to five years, until they develop their own program. The Federal model requires: (1) a mutual responsibility agreement within the first 30 days of assignment to the program (90 days at state option); (2) participation of 30 hours per week (state option of 20 hours/week in FY 97-98; 25 hours/week in FY 99); (3) benefits are based on number of hours attending assigned activities; and (4) use of either a revamped JOBS program (based on the Riverside, CA model), placement firms, temporary subsidized job creation, microenterprise, or work supplementation.

Allows an optional Workfare program for those who have reached the time limit under Work First. Individuals are required to work 30 hours per week in a community service job, and complete 5 hours of job search. Total hours can be reduced at state option until FY 2002. Workfare participants may be paid at a rate up to 75 percent of the maximum AFDC grant.

If a state does not offer a Workfare Program, it would be required to offer those who have their benefits terminating a job voucher to be used in obtaining employment. The voucher would equal 50 percent of the AFDC grant for 12 months. Vouchers would be redeemed by an employer after the individual had been employed by the employer for 6 months.

Mandatory population would be those who have been on the rolls for 2 years (less at state option). There is no work or education requirement for first 2 years. States do not have to provide jobs. Recipients must be working in unsubsidized employment, on-the-job training, or subsidized public sector employment.

Education and Training

AFDC recipients are provided with education and training through the JOBS program, as the state determines appropriate.

Education and training is allowed as a component in the Work First program and participation in these activities count towards the participation rate.

Repeals JOBS program. Education and training activities would count towards participation requirement only if recipient is already participating in work activities for 20 hours per week (30 hours for two-parent families). Education activities would only count towards the participation requirement for those under 20 without a HS diploma. Education would never count toward the requirement for those over 20 -- even if they do not have a HS diploma.

Page 5	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Funding for Work	Federal funding for JOBS is provided through a capped entitlement which is allocated according to the number of adult recipients in a state. A state can draw down federal funds up to its allotment. Federal funding for JOBS is capped at \$1.3 billion for FY 95 and \$1 billion for FY 96 and each subsequent year.	\$8.6 billion over 6 years plus current \$1 billion per year for JOBS. Maintains current capped entitlement status.	No additional money beyond what is in the welfare block grant is provided for work requirements.
Performance Measures	Matching rate on JOBS dollars is reduced for failing to meet participation rate or targeting requirements. New state performance measures based on outcomes rather than process are under development.	The Secretary may recommend program improvements to states not meeting participation requirements. Failure to meet participation requirements for a second consecutive year may result in a 5% reduction in Federal AFDC payments, or a requirement that the state improve.	Failure to achieve the required work participation rate would result in a 5% reduction of the state's annual grant. Failure to provide required performance data would result in 3% penalty.
Welfare Diversion	No provision under current law.	Upon the recommendation of the caseworker, states may provide participating families with a one-time, three-month payment in lieu of monthly AFDC payments.	States create their own assistance programs under the block grant, which may or may not include welfare diversion provisions.
Treatment of Earnings	In the first four months of work employed recipients receive a disregard of the first \$120 of earnings, and one-third of remaining earnings. For months five through twelve, \$120 of earnings is disregarded. After twelve months, \$90 of earnings is disregarded.	States have the option to enhance current law disregards by disregarding between \$120 and \$225 of initial earnings, and up to one-third of remaining earnings, without regard to the current law time limits.	Current law is repealed. There are no provisions regarding the treatment of earnings under the block grant.
Resource Limits	Applicants and recipients may have up to \$1,000 of equity value of non-exempt real and personal property. By regulation, up to \$1,500 of equity value of one automobile is exempt (less at state option).	Resource limit is raised to \$2,000 of equity value of non-exempt real and personal property (this conforms to current law Food Stamp limits for non-elderly households). Automobile limit is set at the Food Stamp auto limit of \$4,500, and will increase and be indexed at the same rate as the Food Stamp limit. Up to \$8,000 in assets in a qualified asset account are excluded. These funds can be used for education, the purchase of a home, and the establishment and operation of a microenterprise.	Current law is repealed. There are no provisions regarding the treatment of resources under the block grant.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)Transitional
Medicaid

AFDC recipients are entitled to one year of transitional Medicaid when they leave welfare for work (until sunset of FSA in 1998).

States have the option to extend transitional Medicaid by an additional 12 months.

Individuals who would have received Medicaid eligibility through AFDC prior to PRA would still remain eligible for Medicaid. This means that states would have to maintain current eligibility systems for Medicaid eligibility determination. AFDC recipients are entitled to one year of transitional Medicaid when they leave welfare for work (until sunset of FSA in 1998).

AFDC and Food
Stamp Conformity

There is modest conformity of program rules within the AFDC and Food Stamp programs.

Existing rules that target certain types of income and resources are made uniform across programs. These include current law limitations on income producing property, the value of life insurance policies, and items essential for employment. Any future income exclusions made in either the Food Stamp or AFDC statutes must be accompanied by an identical exclusion in the other program. As discussed under **Resource Limits** above, resource limits and automobile limits are conformed.

States create their own assistance programs under the welfare block grant, which may or may not include provide for conformity with the Food Stamp program or food assistance block grant.

Child Care

AFDC child care program guarantees child care for individuals in JOBS activities. Transitional child care guarantees child care for one year after AFDC recipients leave welfare for work. The at-risk child care program and the Child Care and Community Block Grant (CCDBG) provides child care services for working poor families. CCDBG also invests in quality and supply of child care services.

Creates a Social Security Block Grant (SSBG) to replace major child care programs. SSBG guarantees child care to Work First and Workfare participants, and guarantees child care for 12 months to persons who leave welfare due to work. Federal share of child care payments for these uses of SSBG funds is the greater of 70 percent or FMAP plus 10 percentage points.

A capped entitlement is also created within the SSBG to fund child care. The entitlement is funded at \$1.4 billion in FY 97, and \$1.45 billion in Fys 98-00. Total child care funding is expected to be approximately \$100 million per year higher than under current law.

Dependent Care Credit is made refundable, and is phased out beginning with households with adjusted gross income of \$60,000.

Repeals entitlement to AFDC Child Care, transitional child care, and At-risk child care. Combines with other child care programs and turns into a block grant to states. Repeals investments in quality and supply of child care. Repeals requirement that states set health and safety standards. Cuts \$1.7 billion over 5 years.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)

Teen Parent Provisions	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Family Caps	Families on AFDC receive incremental increases when they have additional child. Some states do not increase payments for larger-sized families.	State option to deny additional benefits for children born to families receiving AFDC. Child support payments for affected children are disregarded.	States would be prohibited from using federal funds to pay an additional benefit to children born to families on welfare.
Two-Parent Families	Two-parent families may receive AFDC if the principal wage earner is unemployed or incapacitated. To be eligible to receive AFDC, the principal wage earner may not work more than 100 hours in a month. Also, the principal wage earner must have some recent attachment to the labor force: the principal wage earner must have worked in 6 of 13 quarters prior to application (school attendance may substitute for 4 of the 6 required quarters), or have been recently eligible for unemployment compensation. States are required to provide benefits to two-parent families. States that did not have programs for two-parent families before may limit receipt of benefits to six months out of a twelve month period.	States would be given the option to eliminate the 100-hour work limitation and the labor force attachment requirement. States are given the option to choose the duration for which they will provide benefits to two-parent families. The labor force attachment requirement is eliminated for families where both parents are teens.	States create their own assistance programs under the block grant, which may or may not include provisions to provide benefits to two-parent families.
Paternity Establishment	AFDC benefits are not provided until state certifies applicant has cooperated fully in paternity establishment.	Same as current law.	Denies up to the lesser of \$50 or 15% of benefits to all cases where paternity is not established -- whether or not mother has cooperated fully and whether or not state has made a serious effort to locate the father. Families still on assistance would receive the withheld benefits once paternity is established.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)Child Welfare/Foster
Care and Adoption
Assistance

Children who come from AFDC eligible homes are entitled to federal matching funds for foster care and adoption assistance. States also receive matching funds for administration, training, and information systems. Federal protections ensure that states set permanency plans for children and periodically review their cases. A variety of discretionary programs aid specific child welfare populations.

Maintains the current law entitlement for Foster Care, Adoption Assistance, and Independent Living. Consolidates a number of programs for abused, neglected and vulnerable children into a new child protection block grant. The block grant is intended to provide states with funding for services for the full continuum of the child welfare system. The block grant is funded as a capped entitlement at the current-services level of funding of the programs being consolidated.

Repeals entitlement of IV-E Foster Care and Adoption Assistance. Eliminates federal ability to enforce protections for children in child welfare systems. Repeals IV-B child welfare services and family preservation and support program. Turns all child welfare programs into a single block grant to states. Maintains Medicaid eligibility for children. Cuts \$2.7 billion over five years.

AFDC Emergency
Assistance

States may operate emergency assistance programs for needy families with children (whether or not they are eligible for AFDC) if the assistance is necessary to avoid destitution of the child or to provide living arrangements in a home for the child. Funding to states for emergency assistance programs is uncapped; the federal matching rate is 50 percent.

States may continue to operate emergency assistance programs as under current law. Federal funds to a state are capped at 3% of AFDC expenditures in the previous year (4% if the state has a high unemployment rate), or emergency assistance payments in FY 95, whichever is greater.

The current law emergency assistance program is repealed. Funding for emergency assistance type aid would be part of the welfare block grant.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)Family and School-
Based Nutrition
Block Grants

The School Lunch, School Breakfast, Summer Food Service, Special Milk and WIC programs provide meals, snacks and supplemental foods to low-income children (and pregnant, breastfeeding and postpartum women in the case of WIC) following uniform national eligibility and nutrition standards. Funding expands to meet increased needs of low-income children created by a recession or similar economic downturn.

Same as current law.

The PRA would repeal the Commodity Distribution Reform Act and WIC Amendments of 1987, and the Child Nutrition and WIC Reauthorization Act of 1989 and amend the Child Nutrition Act of 1966 and the National School Lunch Act and create a Family Nutrition Block Grant (to provide WIC-type services and food assistance) and a School-Based Nutrition Block Grant (to provide nutritious meals and snacks in school settings). Appropriations for the Family Nutrition Block Grant would be authorized at \$4.606 billion for FY 1996, increasing to \$5.308 billion for FY 2000. The School-Based Nutrition Block Grant amount would be \$6.681 billion for FY 1996, and increase to \$7.849 billion for FY 2000. 9% of the school-based nutrition assistance available would be in the form of commodities. States would be authorized to transfer up to 20 percent of block grant funds to carry out a state program pursuant to Title IV-A, Title IV-B, or Title XX of the Social Security Act, or the Child Care and Development Block Grant Act of 1990; funds could also be transferred between the School-Based Nutrition Block Grant and the Family Nutrition Block Grant.

SSI Program for
Children

Low income children who meet or equal the "listings of impairments" or are determined disabled based on an individualized functional assessment (IFA) are eligible to receive monthly cash payments (average payment: \$425/per month) and Medicaid services. Approximately 900,000 children are on the SSI rolls today; about 30 percent qualified via an IFA.

Eliminates the individualized functional assessment (IFA) as a means to determine SSI eligibility. Psychoactive substance dependence disorder and maladaptive behavior are eliminated from the listings for new applicants. Requires SSA to develop a functional equivalency standard separate from the listings, and requires all children previously determined through an IFA to be reevaluated according to the new listings and standards. Continuing Disability Reviews (CDRs) are required at least every three years for every child on the rolls (except for those not expected to improve). All SSI children must be reevaluated according to the adult standard within one year after turning age 18.

Eliminates the individualized functional assessment (IFA) as a means to determine SSI eligibility. *(Note this would make 250,000 children ineligible for SSI)* Current recipients who meet medical listings would continue to receive cash and Medicaid. However, new applicants who meet medical listings would also have to be institutionalized or need personal assistance services in order to receive cash. A new block grant for services would be established. Medicaid eligibility would continue to be made available to all children who meet or equal the listings.

Current Law

Deal Bill

**Personal Responsibility Act
(H.R. 1214)**

**SSI Program for
Drug Addicts and
Alcoholics**

Addictions may be considered with other diagnoses in determining disability status. SSI recipients with an addiction that is material to the finding of disability are limited to 36 months of benefits. These individuals are required to participate in an appropriate substance abuse treatment program, if available, and must have their benefits paid through a representative payee who is responsible for financial management of the benefit.

Generally the same as H.R. 1214.

Denies SSI cash benefits and medicaid to drug addicts and alcoholics. Takes \$100 million of savings per year and places in general drug treatment programs. Cuts \$2 billion over 5 years.

Current Law

Deal Bill

Personal Responsibility Act
(H.R. 1214)

Legal Immigrants

Legal immigrants--with certain restrictions--are generally eligible for public assistance provided they meet eligibility criteria. Sponsored immigrants are subject to deeming for 3 years under AFDC and Food Stamps, and 5 years under SSI (until October 1, 1996 when the deeming period returns to 3 years). Legal immigrants must meet a 5 year residency requirement before being eligible to purchase Medicare Parts A and B coverage.

Nonimmigrants and illegal aliens are generally ineligible for public assistance, except for certain emergency assistance such as medical services and disaster relief.

Legal immigrants are generally eligible for public assistance provided they meet eligibility criteria. Sponsor deeming under SSI, AFDC, and Food Stamps is extended until the immigrant attains citizenship. The following are exempt from sponsor deeming: legal permanent residents age 75 and over with 5 years residence; veterans, active military and their immediate family; victims of domestic abuse who have initiated divorce proceedings; and immigrants who have paid employment taxes for five years. No immigrant would lose Medicaid coverage as a result of the sponsor deeming rules. Makes affidavit of support legally binding.

Denies most legal immigrants benefits under SSI, welfare block grant, Food Stamps, Medicaid, and social services block grant. Exempted are over age 75 legal permanent residents with 5 years residence, refugees for the first 5 years, veterans, and active military and their immediate family. Makes affidavits of support legally binding and extends deeming until citizenship for all federal, state, and local means-tested public assistance programs.

Denies legal nonimmigrants (e.g., tourists, diplomats, temporary workers, etc.) benefits under any federal, state, and local means-tested public assistance program, except for some HUD housing and community development programs. Allows asylees, temporary agricultural workers, and persons whose deportation is withheld to remain eligible for means-tested benefits.

Denies illegal immigrants benefits under any federal, state, and local means-tested public assistance program except for some HUD housing and community development programs. Scope of programs covered is unclear. Head Start and various public health programs could be included. Authorizes the Attorney General to determine which classes of immigrants are "lawful" and "unlawful".

Noncitizens remain eligible for non-cash, in-kind emergency assistance (including emergency medical services).

Cuts \$22 billion over 5 years.

Page 12	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Commodity Distribution	USDA's various commodity distribution programs donate perishable and non-perishable foods to federal, state, and private agencies for child nutrition programs, nonprofit children's summer camps, charitable institutions, nutrition programs for the elderly, the Commodity Supplemental Feeding Program, WIC, Food Distribution Programs on Indian Reservations, and needy households. They help reduce inventories and storage costs of surplus commodities, aid federal price-support operations, and encourage domestic consumption.	Identical, with minor exceptions, to HR 1214.	The Emergency Food Assistance Program would be eliminated and several other commodity distribution programs would be combined into a consolidated block grant to states. \$260 million would be authorized to purchase, process, and distribute commodities to states for distribution to (in order of priority) emergency feeding organizations, charitable institutions, and other recipient agencies. \$94.5 million of that amount would be used to purchase and distribute commodities to supplemental feeding programs serving women, infants, and children or elderly individuals. The Secretary of Agriculture would be authorized to purchase commodities for emergency feeding programs, but would be prohibited from using appropriated funds for initial processing and packaging of commodities into customer-friendly sizes, or for distributing the commodities to states.
Elimination of National Food Stamp Eligibility and Benefit Standards	The Food Stamp Program has national standards for eligibility and benefit levels based on household size, income, assets, and other nonfinancial criteria. These national standards assure low-income families and individual access to the resources they need to meet their basic nutritional needs, regardless of where they live. Since AFDC counts as income in determining benefit levels, the uniform national standards help smooth out the variability in AFDC benefit levels across states.	Maintains current law.	The PRA would permit states to operate a "simplified food stamp program," either statewide or in any political subdivision, for families that receive cash welfare assistance. Under such a program, households receiving regular cash benefits would be provided food stamp benefit amounts that would be determined by using the same rules and procedures as the cash welfare block grant program. States that choose this option to design their own eligibility and benefit standards would be required to ensure that average food stamp benefits for welfare families do not rise faster than 2% per year, regardless of inflation.
Limits on Thrifty Food Plan Adjustments	Maximum food stamp allotment levels are increased each October to reflect the increase in the cost of the previous year's Thrifty Food Plan (the least costly of USDA's food plans) diet. CBO's economic forecast estimates an annual increase in the Thrifty Food Plan of about 3% between Fys 1995 and 2000.	Reduces the maximum food stamp allotment from 103% to 102% of the Thrifty Food Plan; continues annual adjustments based on the cost of the diet, rounding benefit levels down to the nearest dollar.	The PRA limits increases in the Thrifty Food Plan to just 2% per year, regardless of the increase in food costs. Over the past 20 years, food prices have actually increased an average of 4% a year.

Page 13	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Resources	A limit of \$4,500 was set in 1977 as that portion of the market value of a vehicle that is excluded from countable resources to bar households with expensive cars from receiving food stamps. Recent legislation raised this limit to \$4,550 (despite a 150% increase in the CPI for used cars since 1977), and called for indexing this value after 1996.	Maintains current law.	The PRA would freeze the vehicle disregard at \$4,550, with no adjustment for inflation, despite the need for reliable vehicles, particularly for non-urban families, to commute to work.
Income Disregards and Deductions	The amount of food stamp benefits a family receives is based on its income level. Some income is excluded, including "energy assistance." Certain deductions are also allowed in computing income, including an inflation-indexed standard deduction (available to all families) and an "excess shelter" expense deduction (available to families whose housing costs exceed 50% of income), which has a periodically adjusted ceiling.	Would freeze the standard deduction for one year; would include all energy assistance as income; and would exclude some JTPA and all educational assistance in calculating income for determining eligibility.	The PRA would delete the provision allowing states to designate a portion of public assistance payments as "energy assistance" and (thus its exclusion from income) and limit shelter expense deductions that could be claimed by recipients of LIHEAP assistance. It would also freeze the standard income deduction and the limit on excess shelter expense deductions at their current levels.
Food Stamp Work Requirements	Unless exempt, adult applicants must register for work and recipients must accept a suitable job if offered and fulfill any work, job search, or training requirements. Exemptions include those who are: mentally or physically unfit, under 16 or over 60, working at least 30 hours a week, caring for dependents who are disabled or under 6, caring for children 6-12 without child care, or complying with AFDC work requirements. States receive a share of \$75 million a year and 50-50 matching funds to operate food stamp employment and training programs.	The bill terminates food stamp benefits after six months for able-bodied adults aged 18 to 50 who have no dependents, unless they are working at least half time or are in a workfare or other employment and training program. The Secretary may waive this requirement if an area has an unemployment of over 7 percent or does not have enough jobs to provide employment to those subject to the requirement. Funding for the employment and training program is doubled to \$150 million per year for FY 1996 through FY 2000, and the current performance based allocation formula is removed. The state is required to develop an Individual Responsibility Plan for each participant. The plan would set an employment goal, provide that participation in employment and training activities is a condition of eligibility, and establish other obligations of the participant.	The bill terminates food stamp benefits after 90 days for able-bodied adults aged 18 to 50 who have no dependents, unless they are working at least half time or are in a workfare or other employment and training program. The bill eliminates the funding provided to states for food stamp employment and training programs, and instead provides \$75 million (plus 50-50 matching funds for additional state expenditures) a year for the establishment and operation of workfare programs. This requirement could be waived by the Secretary of Agriculture at a state's request if an area had an unemployment rate of over 10 percent, or the area did not have sufficient jobs to provide employment to those subject to the requirement.

Page 14	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Encouraging EBT Systems	States are permitted to develop and implement electronic benefit transfer (EBT) systems for delivering food stamp benefits to recipients in defined geographic areas or statewide. Efforts are underway to design an national, uniform system, with the goal of nationwide implementation.	States are encouraged to implement EBT transfer systems. States are given discretion to procure and implement EBT systems. The Secretary must act on waiver requests related to EBT systems within 90 days of receipt of a complete application.	The PRA encourages states to implement their own independent EBT systems by providing that, once they have statewide EBT systems in place, they would have the option to convert their entire food stamp program into a block grant.
Freezing the Minimum Allotment	The \$10 minimum benefit for one- and two-person families was established in 1977 to ensure that low-income elderly and disabled received some meaningful amount of food assistance. In 1990 Congress provided for adjusting the minimum benefit in increments of \$5 to reflect inflation at that point. The first such increase (to \$15) is expected in 1997.	No provision; maintains current law.	The PRA would cancel the inflation adjustment and permanently freeze the minimum benefit that elderly and disabled households receive at \$10.
Economic Responsiveness	USDA provides food stamps to states for distribution to eligible participants -- as the number of food stamp participants increases, the Food Stamp Program expands automatically to meet the rising need. Historically, the Food Stamp Program has expanded to meet increased need when the economy is in recession and contracted when the economy is growing, flowing automatically to communities, states or regions that face rising unemployment or poverty.	Maintains current law.	The PRA would cap Food Stamp Program obligations for Fys after 1995 at the amount CBO estimates would be program spending, after making adjustments for the effects HR 1214. No allowances are made for imperfect estimates. The caps would eliminate the ability of nutrition programs to respond to changing economic circumstances and could require across-the-board cuts in benefits if the number of eligible participants or the level of benefits is higher than CBO now estimates. If a large state experienced an economic downturn, food stamp recipients nationwide would see a benefit reduction in order to keep spending within the caps.

Page 15	Current Law	Deal Bill	Personal Responsibility Act (H.R. 1214)
Number of Children Affected	Not applicable.	Not applicable.	<p>At full implementation, AFDC benefits would be denied to:</p> <p>70,000 children born to unmarried mothers under 18</p> <p>2.2 million children born to current AFDC recipients</p> <p>4.8 million children in families receiving AFDC more than 5 years</p> <p>AFDC benefits would be reduced for 3.3 million children without paternity established 400,000 children would lose federal child care assistance</p> <p>14 million children would be affected by food stamps cuts</p> <p>700,000 children would lose SSI benefits</p>
Savings	Not applicable.	\$9 billion.	<p>Cash Assistance Block Grant \$11.8 billion</p> <p>Child Protection Block Grant \$2.7 billion</p> <p>Child Care/Nutrition Block Grant . . . \$9.0 billion</p> <p>Immigrant Provisions \$17.5 billion</p> <p>Food Stamp Changes \$20.3 billion</p> <p>SSI Reform \$13.2 billion</p> <p>Child Support Enforcement \$.6 billion</p> <p>TOTAL \$69.4 billion</p>

<p>Page 16</p>	<p>Current Law</p>	<p>Deal Bill</p>	<p>Personal Responsibility Act (as reported out)</p>
<p>Eligibility for IV-D Child Support Services</p>	<p>States are required provide IV-D services to families of children receive AFDC, Medicaid, and or foster care payments. States are required to IV-D services to all other eligible families who make a written application to the IV-D agency for services.</p>	<p>Similar to H.R. 785. Requires states to enter all child support orders in the state child support registries, collect all support payments through a centralized collection unit (except where parents agree to opt-out under limited circumstances) and provide services equally to all who want them.</p>	<p>Same as current law. No flexibility is granted to the States to have an opt-out system (rather than opt-in) for non-AFDC cases as some states would like to do.</p>
<p>Cooperation Requirements</p>	<p>To be eligible for AFDC and Medicaid, mothers must cooperate with IV-D agencies to establish the paternity of a child and in obtaining child support payments for a child, unless the applicant or recipient is found to have good cause for refusing to cooperate.</p>	<p>Requires that determination of cooperation must be made prior to the receipt of benefits, that mothers must meet new strict cooperation requirements, that the State CSE agency (rather than the welfare agency) determines whether AFDC applicants are cooperating in paternity establishment and that benefits be denied in cases determined to be noncooperative.</p>	<p>Prohibits use of block grant funds to pay assistance to any family not cooperating with the child support agency. Requires States to withhold a portion of assistance from families with children for whom paternity is not established.</p>

Current Law

Deal Bill

Personal Responsibility Act
(as reported out)

Paternity

State currently receive federal funding for paternity establishment services required in AFDC cases (where the mother must assign her right to child support to the state and cooperate in paternity establishment efforts) and offered to any other mothers who apply for services at the IV-D agency. OBRA 1993 required states to implement in-hospital paternity establishment programs -- a proven cost-effective way of obtaining early voluntary paternity establishments in some cases.

States are also subject to paternity establishment requirements -- they must meet targets for establishing paternities in certain percentages of their cases. Under OBRA 1993 the paternity establishment percentage (PEP) must be 75 percent, (or if between 50 percent and 75 percent, it must increase by 3 percent, between 45 percent and 50 percent, it must increase by 4 percent etc.).

Similar to H.R. 785. Streamlines the legal process for establishing paternities.

H.R. 1214 expands the scope and effectiveness of state paternity establishment programs. It streamlines the legal process for establishing paternity by expanding the scope of voluntary paternity establishment programs, making it easier to use genetic testing and simplifying the legal process for establishing paternity. These provisions are similar to those in other major child support bills pending before Congress. It also requires outreach to promote the voluntary establishment of paternity although outreach is not defined and there is no enhanced funding available (as in other bills) to carry it out.

Other sections of H.R. 1214 increase paternity establishment percentage for States to 90 percent. States above 50 percent but less than 90 percent must increase 6 percentage points per year while States below 50 percent for a fiscal year must increase by 10 percentage points to be in compliance.

The proposed paternity standards will be extremely difficult to achieve. Despite considerable improvements in paternity establishment procedures, only a few states have come close to the proposed percentage increases, while the remaining States have achieved a much lower average percentage than the proposed standard. Although paternity establishment rates will improve with universal in-hospital paternity establishment procedures, the increase will not likely be to the degree required under this proposal.

	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
Review and Modification of Child Support Orders	States are required to review and modify all AFDC cases once every three years, and every non-AFDC IV-D cases every three years for which a parent requests a review. The decision criteria to adjust an award is based on state child support guidelines.	Like H.R. 785, a National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress. Every 3 years, at the request of either parent subject to a child support order, the State shall review and, if appropriate, adjust the order in accordance with state guidelines, without a requirement for any other change in circumstances. Upon the request at any time of either parent, the State shall review and, if appropriate, adjust the order in accordance with guidelines based on a substantial change in circumstances of either parent. Parents subject to a child support order must provide each other with a complete statement of their respective financial condition annually on a form which shall be established by the Secretary and provided by the State. The Secretary will establish regulations for the enforcement of such exchange of information.	States are required to review and, if appropriate, adjust child support orders for all IV-D cases every three years. States are given the option to use automated means to accomplish review and adjustment, by either: (1) adjusting in accordance with child support guidelines, (2) applying a cost of living increase to the order and giving the parties an opportunity to contest the adjustment. Reviewed orders could be adjusted without the parties showing a change in circumstance. States would also be given the option to review, and, upon showing a change in circumstances, adjust orders pursuant to the child support guidelines upon the request of a party.
Interstate Cases	States have several options available for interstate child support enforcement, including: direct income withholding; interstate income withholding; long-arm states; the URESA; and the revised RURESAs. In 1992, the National Conference of Commissioners on State Uniform Laws approved a new model State law for handling interstate CSE cases. The new UIFSA is designed to deal with desertion and nonsupport by instituting uniform laws in all 50 states that limit control of a child support case to a single state.		States are required to adopt UIFSA, with some modifications. States would be permitted to enforce interstate cases using an administrative process. Uniform forms for use of enforcement of child support in interstate cases would be required. Problems identified with the recently enacted full faith and credit law are fixed. These provisions, including the modifications made to the UIFSA, would eradicate many barriers currently exists with states ability to enforce child support orders across states. An additional tool which was not included is a requirement that employers promptly respond to out-of-State requests for information.

Page 19	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
Centralized State Collection and Disbursement of Payments	Current law does not require States to enter centralized collection and disbursement units exists. Payments of support by noncustodial parent or by employers on behalf of noncustodial parents are made to a wide variety of different agencies, institutions, and individuals.	Similar to the Women's Caucus bill, States are required to operate centralized collection and disbursement of support payments, including the monitoring of payments, generating wage withholding notices, automatic use of administrative enforcement remedies.	Similar to Women's Caucus bill with exception that it allows automated links of local units to constitute this disbursement unit.
State and Federal Central Registry of Support Orders	Current law does not include any requirements for state or federal registries of child support orders.	States are required to operate an automated, central registry containing case records on every IV-D case and on all orders (regardless of IV-D status) that have been entered or modified on or after October 1, 1998. Includes requirements for maintaining and updating a payment record and extracting data for matching with other databases. Requires the establishment of a Federal Case Registry within the Federal Parent Locator Service (FPLS). The new national registry must contain abstracts of child support orders in all states and other information to identify individuals who owe or are owed support.	Similar to Women's Caucus bill, with the following key difference: allows the State case registry to be established by linking local case registries of support orders through an automated information network.

	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
<p>State and National Directory of New Hires</p>	<p>No requirements for a directory of new hires.</p>	<p>Identical to Women's Caucus bill. Establishes an automated Directory of New Hires within the Federal Parent Locator Service. Employers are required to report information (i.e., W-4 form or equivalent information) on each new hire to the state directory. Failure to make a timely report would result in a penalty of \$500 penalty or 1 percent of the employees annual wages and other compensation. The Directory of New Hires must conduct automated matches of new hires against the Data Bank of Child Support Orders not less than every two working days and report information obtained from a match to the concerned State agencies not later than two working days after such match. States are required to generate orders and notices to employers for the withholding of wages within two working days after receipt from the Directory of New hires (or any other source) that a employee is subject to withholding.</p>	<p>The bill requires two directories, one at the state level and one at the federal level. States are required to establish an automated state directory of new hires and Employers and labor organizations are required to report new hires to the State (rather than directory to a national) directory of new hires Nominal \$50 penalty for failure to report, \$500 penalty based on conspiracy between employer and employee not to report. State directories must perform database matching using SSNs for IV-D cases and report findings to any State. Directories must also report information to a National Directory of New Hires within 4 days, issue withholding notices within 2 business days of match, provide extracts of SESA information to National Directory quarterly. National new hire directory must be operational by 10/1/96.</p>
<p>Income Wage Withholding</p>	<p>Since November 1, 1990 all new or modified child support orders that were being enforced by the State's child support enforcement agency were subject to immediate income withholding. Since January 1, 1994, the law has required States to use immediate income withholding for all new support orders, regardless of whether has applied for child support enforcement services.</p>	<p>Identical to Women's Caucus bill. Strengthens and expands income withholding from wages to pay child support.</p>	<p>Similar to Women's Caucus bill except adds a State law requirement allowing issuance of withholding orders by agency electronically and without notice to obligor.</p>

<i>Page 21</i>	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
Federal Financial Participation	Current law provides for a basic federal match of 66 percent with some paternity establishment services matched at a rate of 90 percent. ADP costs for systems requirements mandated in the Family Support Act are payable at a 90% FFP rate through Sept 30, 1995. There is no maintenance of effort clause in current law.	Same as H.R. 785. The base matching rate would be increased from 66 percent (which is current law) to 69 percent in FY 1997, 72 percent in FY 1998 and 75 percent in FY 1999 and all years thereafter. Maintenance of the state effort at the FY 1996 level required.	The PA would provide basic funding of the CSE program at 66% New ADP expenditures would be matched at 80% or the states FFP rate (with incentives) but capped at a federal share of \$260 million. The PA requires that the state maintain its FY 1996 funding level in subsequent fiscal years.
Incentives	Incentives are based on collections. Each state receives at least 6 percent of its AFDC collections and 6 percent of its non-AFDC collections (capped at 115 percent of AFDC collections) as an incentive payment. The 6 percentage point rate is increases for cost effective performance. Cost effectiveness is defined as the ratio of collections to expenditures and must equal or exceed \$1.40 dollars collected for every dollar spent in order to exceed the 6 percent floor. Up to a maximum of 10 percent of AFDC and 10 percent of non-AFDC collection (capped at 115%) may be returned to the state as an incentive payment. States are not required to invest the incentive payments in the CSE program.	The existing system of incentive payments is replaced with a system of performance-based incentives and penalties for paternities established, orders established, collections, and cost-effectiveness. The incentives could increase States' matching rates up to a maximum of 15 additional percentage points over the new base rate of 75 percent. States are required to recycle incentive payments back into the child support program.	Incentives would be based on state performance in establishing paternities for children born out of wedlock in a year and for overall performance in the areas of award establishment, proportion of cases with collections, amount collected as a proportion of amount due, and cost effectiveness. Incentive payments would be paid as an increase to a state's FFP rate. The maximum combined FFP rate (basic plus incentives) would be 90 percent. A maximum of 12 percentage points would be payable for paternity establishment and a maximum of 12 percentage points would be payable for overall performance. Because the incentives are paid as FFP they would have to be reinvested in the CSE program.
Federal Share of AFDC Collections	The Federal and State governments share in any recoupment of child support that is assigned to the state. The share is based on the percentage paid by the federal government to reimburse its AFDC benefit payments. Most states use the federal medical assistance percentage.	Same as current law.	The bill would require that the states share with the Federal Government any recoupment from child support collected on behalf of families receiving temporary assistance. The amount shared would be based on the federal medical assistance percentage applicable to the state.

	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
Assignment and Distribution	<p>Under current law families must assign to the state any child support owed to them before and during periods of AFDC receipt. When a family is no longer eligible for AFDC the state can choose to pay the family all child support due after the family leaves the AFDC rolls, before it recoups support assigned to the state. Some 19 states have chosen to do this because of the potential for reducing AFDC recidivism. If the families support is paid up or if a state chooses to reimburse itself first, it must use any additional recouped assigned support to offset past AFDC benefit payments made to the family.</p>	<p>Transitional assistance recipients would receive all child support owed to them for periods before and after assistance receipt before the state can apply arrearages to the AFDC recoupment. Arrearages owed to the states are forgiven, under certain circumstances, to parents who marry or remarry.</p>	<p>The family would be required to assign to the state any child support owed to them while they are receiving temporary assistance benefits. The state would be allowed to keep these payments to offset the temporary assistance benefits. For former temporary assistance recipients, any child support owed to the family for periods when they did not receive temporary assistance would be paid to the family before the states could recoup support assigned to the state.</p>
Pass-through and Disregards	<p>Current Law requires that all states pass-through the first \$50 of current support and disregard that income in determining a families eligibility for AFDC benefits. Additionally under current law, including waiver authority, states have some flexibility regarding the amount of child support that is passed-through to the family and disregarded in determining the amount of the AFDC benefit. Several states continue to use child support payments to supplement low AFDC benefit payments through fill the gap provisions in 402(a)(28). Several other states, under waiver authority, are passing though all child support to the family (and reducing the AFDC benefit by all but the first \$50 of the support payment).</p>	<p>State flexibility is increases by eliminated all mandatory child support pass-throughs and disregards and by giving states the option to pass-through all or a portion of child support to a family receiving temporary assistance and to allow states to disregard all or any portion of child support when determining the family's transitional assistance benefit amount. States are required to pass through and disregard for purposes of determining assistance benefit levels any child support collected on behalf of a child subject to the family cap.</p>	<p>The \$50 dollar pass-though and disregard is eliminated and no flexibility is provided for other pass-though and disregard options. The state would have to treat all child support paid for the current month as income. The state can pass-though to the family the state's share of child support but would have to reduce the temporary benefit payment to account for the increased income. In no case could child support payments in whole or in part be used to supplement temporary assistance payments.</p>

Page 23	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
Audit	<p>Federal law mandates periodic comprehensive Federal audits of State programs to ensure substantial compliance with all federal requirements. Statutory requirements mean that the audits focus heavily on the administrative procedures and processes required by federal statutes and regulations. If deficiencies identified in an audit are not corrected, states are subject to a mandatory fiscal penalty of between 1 and 5 percent of the Federal share of the State's AFDC program funding.</p>	<p>If the state fails to perform or submits incomplete or unreliable data, percentage penalties higher than current law would be taken against IV-D funds.</p>	<p>Federal audit requirements would be simplified to focus primarily on performance outcomes and require States to conduct self-reviews to assess whether or not all required services are being provided. It would also require that Federal auditors would assess the States' data used to determine the performance outcomes to determine it is valid and reliable and conduct periodic financial audits to ensure that the funds are being allocated and expended appropriately.</p> <p>All of these provisions are generally similar to provisions proposed in the Work and Responsibility Act of 1994 and subsequently included in other major child support bills pending in Congress. Unlike these other bills, however, H.R. 1214 does not require review and consideration of complaints of those using the services. Thus the review process is unlikely to have the kind of public input necessary to uncover whether the state programs are "customer oriented" and provide good public services.</p> <p>In addition, unlike the audit process outline in the WRA, this bill adds a clause that the reviews must include "information necessary to measure State compliance with Federal requirements for expedited procedures and timely case processing". This requirement explicitly contradicts the desire to measure program performance by looking at performance outcomes and reorients the audit to more of a process based one.</p>

Page 24	Current Law	Deal Bill	Personal Responsibility Act (as reported out)
<p>Expedited Process</p>	<p>The 1984 amendments to the Social Security Act, subsequently modified by OBRA 1993, require states to have expedited process under the judicial system or an administrative process to establish paternity and orders and to enforce them. Expedited process are those where the presiding officer is not a judge and where case processing meets certain time frames. Exemptions to this requirement are allowed under the statute and historically they have been liberally granted by the federal government. Even where expedited processes are used, however, routine <u>enforcement</u> actions are handled on an individual case basis with the child support agency reverting back to the courts or tribunal at each step. Such a process is by its nature slow and cumbersome, causing many cases to simply never receive the attention they deserve. States are not able to use recently developed computer technology to do mass case processing quickly.</p>	<p>Identical to H.R. 785. The authority of the child support agency (IV-D agency) would be expanded and they would have specific authority to use certain expedited processes to establish and enforce child support orders without obtaining a separate court order. These expedited processes would include the ordering of genetic testing in paternity cases, entering default orders under certain circumstances, the ability to subpoena financial information necessary to establish orders, accessing public records for locate information, and the ability to seize, in appropriate circumstances, assets, such as state benefits, lottery winnings, retirement funds, and assets held in financial institutions.</p>	<p>Similar to H.R. 785. Most major types of expedited processes are included. However, H.R. 1214 is weaker than some other bills because it did not require that states use administrative authority to impose liens and suspend drivers licenses. It also failed to include access to utility and cable TV customer records, an excellent source of locate information.</p>

INDIVIDUAL RESPONSIBILITY ACT OF 1995

WORK

- * Establishes a Work First program providing necessary assistance to move welfare recipients off of welfare into jobs
- * Provides state flexibility in developing programs to move individuals into work only broad federal guidelines for states to follow
- * Two-year time limit on the Work First program and a subsequent two-year time limit in the Community Service Program (with a 10% recyclability clause); gives state option to drop recipients from welfare and work program after two years in the work first program
- * Sanctions for recipients who do not comply with program requirements
- * Requires job search to begin as soon as a recipient enters the program
- * Guarantees child care assistance to any parent on welfare who needs assistance in order to accept and keep a job or participate in a work program.

INDIVIDUAL RESPONSIBILITY

- * Requires minor mothers to live with a parent or responsible adult
- * Enhances non-custodial parent location and identification and requires a good faith effort by the mother in paternity establishment
- * Strengthens child support enforcement and holds grandparents liable for financial support of children of their minor children.
- * Allows states the option to deny increases in AFDC funding to mothers who have additional children while receiving these benefits

STATE FLEXIBILITY

- * Gives states the option to drop welfare recipients after two years
- * States have option to recycle up to 10 percent of caseload back into program
- * States have option to implement the innovations that have been in state waiver requests such as the family cap and elimination of disadvantages for marriage
- * Allows states to develop their own Work First program, with a few minimum standards
- * Consolidates child care funding into a block grant, promoting parental choice

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THE TRUTH ABOUT THE DEAL SUBSTITUTE

TOUGH TIME LIMITS :

The Deal Substitute has a tough four year time limit linked to participation in required education and training designed to move the individual to private sector employment. After the first two year period, participants must work for reduced benefits. No benefits are available after 4 years.

ENCOURAGES WORK MORE THAN HR 4:

The Deal Substitute requires more people to participate in mandatory work programs than does HR 4. Under HR 4 it takes five years to equal the work participation rate in the first year of the Deal Substitute. States are required to meet participation rates and face a 5% reduction in AFDC payments for failure to meet participation rates or other performance based measures. States cannot meet participation rates by merely requiring a job search. A recipient **MUST WORK AT LEAST 30 HOURS PER WEEK** in addition to the job search. HR 4 would allow states to reach "work" participation rates by terminating benefits.

STATES HAVE FLEXIBILITY TO DEAL WITH ILLEGITIMACY

Instead of blind federal mandates which punish children, the Deal substitute gives Governors options to combat teenage pregnancy and illegitimacy. Governors can opt to deny benefits to minor mothers, require minor mothers to stay in school, live with a responsible adult, or otherwise use AFDC benefits to leverage responsible behavior. States may hold grandparents legally responsible for the irresponsible conduct of their children.

BENEFITS TO LEGAL ALIENS REDUCED, NOT ELIMINATED:

Criticisms that "non citizens continue receiving billions" are false. The substitute places responsibility for the welfare of legal aliens where it belongs-- on

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the sponsor who pledged to support the immigrant. Immigrants would be eligible for benefits only in the event their sponsors unexpectedly lose their income.

By denying benefits to legal immigrants, HR 4 will force states to care for legal immigrants resulting in a huge cost shift to the states.

DEAL SUBSTITUTE IS REAL REFORM

The Deal Substitute transforms the current check writing system to one which moves individuals into private sector employment. It places responsibility on recipients and provides the resources that will be necessary to move people into work.

HR 4 abdicates federal responsibility. Sending the problem back to the states with less money is counterproductive and does not improve the welfare system.

HR 4 IS A HUGE UNFUNDED FEDERAL MANDATE:

The U.S. Conference of Mayors has criticized HR 4 for shifting costs to state and local governments. HR 4 does not provide to offset the great increase in funding necessary to implement the work requirements of HR 4. Rather, they would shift the cost to the states. In addition the added costs associated with the denial of benefits to all aliens will be shifted to state and local governments.

The Deal Substitute provides sufficient resources to the states to fund the work requirements of the bill. It also guarantees increased funding for states facing increased costs due to regional economic downturns and inflation.

DEAL SUBSTITUTE IS THE ONLY BILL THAT PROVIDES FOR DEFICIT REDUCTION

The Deal Substitute cuts spending from within the welfare system by a net \$8 billion. It is the only bill that locks all savings into deficit reduction.

STATE FLEXIBILITY

Each state has different circumstances and needs in the operation of its welfare system. Requiring states to operate within detailed federal guidelines or with arbitrary formulas for assistance fails to recognize the diversity among the states. The substitute provides states with the flexibility and resources necessary to deal with the specific conditions in the state and move individuals from welfare and into work.

Provides states with flexibility in developing programs to move individuals into work:

The Substitute places one basic requirement on states: state programs must focus on moving welfare recipients into work through private sector employment. A state plan which meets this fundamental goal would be approved automatically. States would have complete discretion in establishing programs to move individuals into work. Unlike H.R. 4, states would not be forced to place individuals in public service jobs before providing the necessary assistance to move the individual into private sector employment.

Provides flexibility in funding: The substitute recognizes that welfare reform will fail if states do not have the resources to implement state programs. The substitute provides states with the flexibility to respond to economic downturns, increases in child poverty, population shifts and other factor that will increase costs by linking federal assistance to the state costs. Block grants, which do not link federal assistance to state costs will leave states to bear the burden of increased costs from inflation or increased caseload. H.R. 4 will also force states to bear the burden of providing services such as health care to legal aliens with state dollars.

Allows states to pursue innovative approaches. The Substitute provides states with options to pursue the innovative proposals in state welfare programs that have been included in state waiver requests. States will not be required to go through the waiver process to implement innovations in their welfare programs. The Substitute does not mandate these proposals, but allows each state to choose whether or not to implement the proposal. The state options that would be created by the Substitute include:

- * Liberalize earnings disregards
- * Liberalize asset limitations
- * Eliminate penalties for marriage
- * Establish AFDC diversion programs
- * Deny benefits for additional children born to parents already on AFDC
- * Deny AFDC benefits to minor mothers
- * Eliminate the current disincentives to marriage.

Provides states with flexibility through consolidation and coordination of programs. The four basic federal programs providing child care assistance would be consolidated into one program with a single set of guidelines under the Title XX social services block grant. Eleven programs related to child welfare would be consolidated into one capped entitlement to states, giving states flexibility to allocate child welfare funds. Eligibility requirements for Food Stamps and AFDC will be unified.

WORK

- * **Work is a guiding principle of the substitute**
- * **The substitute includes real work requirements**
- * **All recipients must be in work or work related activities**
- * **Emphasis is on placing recipients into private sector employment as soon as possible**

The substitute requires every recipient to be in work or work-related activity in order to receive benefits Current recipients and each new applicant would be given an individual assessment and required to sign an individual responsibility contract which requires recipients to begin job search immediately and prohibits them from refusing a job, refusing to look for work, refuse to sign a contract. H.R. 4 does not assist recipients in moving into work force or place any obligation on the recipients until after two years.

States would have flexibility to design work first programs within guidelines to ensure that the state program moves individuals into work. States are given the option of implementing a federal "Work First" model or designing their own Work First program provided it meets broad guidelines (i.e. recipients spend minimum number of hours in work component designed to move them into the private sector, time-limits, individualized contract, sanctions for non-compliance, and job search) H.R. 4 does not include a plan or even a broad outline of a plan to move recipients into work. States are not required to do anything to help recipients transition into the work force. States are not held accountable for federal dollars. The substitute requires recipients to work, look for work or prepare for work from day one.

All recipients must sign contracts setting forth their obligations to move toward work. Each participant in Work First would be required to sign a contract of mutual responsibility-- outlines specific services and methods which will be used to move the individual into the work force as well as the participants obligations and responsibilities. If a recipient fails to comply with the terms of the agreement, benefits will be sanctioned. Benefits will be terminated if an individual refuses a job, is determined to be in non-compliance in three instances, or after two acts of non-compliance if they are in successive months.

Under H.R. 4, recipients are not required to sign a contract. The bill does not establish any sanctions for individuals who fail to meet their obligations. In other words, there is no accountability for recipients.

The substitute provides recipients with services to move into work. States are free to utilize a wide variety of proven methods and services to move individuals into a private, unsubsidized job -- i.e. wage supplementation, placement companies, education and training, etc. Unlike the substitute, H.R. 4 does not prepare recipients for jobs. The substitute provides recipients with two years of work preparation before they hit the two year time limit. H.R. 4 doesn't even make these services available until after individuals have received benefits for two years and are working at least 20 hours a week. There are no guidelines regarding what services states should provide.

The substitute provides the states with the resources they need to move welfare recipients into work. The substitute would raise federal match to 70% or Medicaid matching rate plus 10% (whichever is higher). By maintaining the entitlement status, the substitute ensures that federal assistance will increase if state costs increase due to population growth, economic downturns, inflation, etc. H.R. 4 freezes spending at current level and does not take into consideration recession, population growth/shift, etc.

The substitute put more families to work quicker than H.R. 4 The participation rates in the substitute start at higher levels than H.R. 4 and phase-in more quickly. The substitute will place the following percentages of the AFDC caseload in work programs: 16% in 97, 20% in 98, 24% in 99, 28% in 00, 32% in 01, 40% in 02, and 52% in 03. H.R. 4 doesn't achieve the participation levels provided in the first year of the substitute until 2000.

In FY'93, 16% of the AFDC single-parent caseload was working and/or participating in the JOBS program. H.R. 4 doesn't get to 16% (current level) until the fifth year of its phase-in ('00). Since states have not been able to meet existing requirements with current funding levels, it is extremely unlikely that they will be able to meet increased participation requirements under the freeze in funding in H.R. 4. The substitute provides sufficient funding to ensure that the participation rates can be achieved.

The substitute includes tough work requirements: Participation in the Work First program is limited to two years of eligibility (lifetime). Work First participants would be required to complete a minimum number of hours in work and job search -- 30 hours of work activity (as defined in individual contract) and an additional 5 hours of job search. H.R. 4 does not contain any work requirements for the first two years a recipient is participating in the program.

After two years, individuals are required to work for benefits or find private sector employment. Once an individual has exhausted his/her two years of eligibility for the Work First program that individual loses their AFDC benefit. The substitute requires recipients to be working after two years. States may choose to give the individual a voucher worth 50% of AFDC which may only be used for private sector employment. Voucher is good for a minimum of 12 months but no more than 24 months and is only payable to employer if individual has been employed for at least six months. Or, states may require recipients to enroll in Workfare program. Participants in Workfare would be required to complete a minimum number of hours community service or subsidized job in exchange for wages. Wages would be limited to 75% of AFDC benefits (states have the option of paying up to 100% of AFDC benefits).

The substitute allows states to cut recipients off after two years. However, unlike H.R. 4, states could not meet participation rates by simply cutting recipients off. The substitute continues to make subsidized, private sector employment available to participants in the Workfare program. H.R. 4 is limited to community service, which will do nothing to move individuals into unsubsidized, full-time employment.

MAKING WORK PAY

The substitute contains several provisions based on the notion that it should be more advantageous to work than to stay on welfare. The substitute removes the obstacles which prevent welfare recipients from permanently returning to the work force.

HEALTH CARE - The substitute extends Transitional Medical Assistance from one year to two years

CHILD CARE - The substitute consolidates federal child care assistance programs into a single program under the Title XX block grant. The substitute ensures that safe and affordable child care is available to any parent participating in Work First or leaving welfare for a job. The substitute also incorporate and strengthen the provisions in the Child Care and Development Block Grant ensuring parents have the maximum choice in child care

AFDC WORK DISREGARDS - The substitute allows states to liberalize the earned-income disregards within an established federal guideline

The substitute improves outreach efforts to both recipients and employers to ensure that they make use of the Earned Income Tax Credit.

The substitute includes provisions to ensure fairness and equity for the working poor.

DIVERSION PAYMENTS - The substitute allows states to grant an individual an emergency payment not to exceed an amount equal to three months of AFDC benefits to help a working individual avoid moving to welfare

TREATMENT OF BENEFITS - The substitute treats AFDC and Food Stamps benefits as taxable income so the tax code doesn't provide better treatment for a dollar from welfare than it does to a dollar from work.

The substitute recognizes and rewards resident aliens who keep their good faith agreement to work.

Legal aliens who have paid more than 60 months of FICA taxes would be exempt from the deeming provisions included in the substitute

H.R. 4 does not include any provisions to make work pay.

CHILD CARE ASSISTANCE

Provides sufficient funding for child care to meet increased needs. The substitute guarantees that child care assistance will be provided to any parent on AFDC who needs child care assistance to accept and keep a job or participate in a work program. CBO estimates that child care spending will increase by \$6.2 billion meet the increased demand for child care as more individuals accept jobs or enter work programs. In addition to the child care funds provided for welfare recipients, the substitute also increases child care assistance for the working poor by \$424 million over five years above baseline projections. The Republican bill will reduce funding for child care services \$2.4 billion below levels provided for under current law.

Consolidates child care assistance into a single program. All federal child care assistance would be provided through the Title XX program under a uniform set of rules and regulations. In general, the state plan requirements under the Child Care Development Block Grant would be retained for state assistance from the new program. States would not have to comply with a patchwork of rules and regulations for providing child care under different programs.

Strengthens parental choice in choosing child care providers. All of the provisions in the Child Care and Development Block Grant protecting parental choice are maintained. Any parent who is eligible for assistance under the program would have the option of receiving a voucher. The state must provide a voucher for child care to every eligible parent that requests one. The substitute codifies the "effects test" which prohibits any state actions that would have the effect of reducing parental choice. In addition, the substitute adds explicit requirements that the states inform parents that they have the option of receiving a voucher and that they may use vouchers with the provider of their choice, including religious providers.

Ensures that the overwhelming majority of federal assistance is used for direct child care services. The substitute requires that states use at least 80% of the funds provided by the federal government for direct child care services. The substitute eliminates the requirement in the Child Care and Development Block Grant that states use 25% of the funds for activities to improve quality and availability of care.

TIME LIMITS

Two year limits on participation in Work First: The "clock" for time limits does not start until the individual enters the Work First program. Individuals have two years of eligibility (lifetime) for Work First program after which they are no longer eligible for AFDC

Benefits may be terminated prior to the completion the Work First program for individuals who fail to comply with requirements of the program: Individuals who refuses a job, refuse to look for work, refuse to sign an individual responsibility plan would have their benefits terminated. Individuals who fail to comply with the terms of the contract would have their benefits sanctioned, terminated after 3 acts of non-compliance or after 2 acts if violations are in successive months

After a recipient has exhausted their eligibility for the Work First program, states may choose to:

Terminate benefits: In such cases the individual would no longer be eligible for AFDC but the states must provide them with a private employment voucher worth 50% of individuals AFDC benefit for one year. The voucher is good for a maximum of two years and is only payable to an employer if the individual has been employed for at least 6 months. These individuals will continue to be counted in determining overall participation rates.

Enroll the individual in a Workfare job. Participants would no longer be eligible for AFDC benefits. Participants would be required to complete 35 hours of work and spend at least 5 hours in job search each week in exchange for wages (75% of AFDC or up to 100% at state option)

In 2004 and beyond all recipients will be required to enroll in Work First within one year of application. This would effectively ensure that no individual who is able to work will be on AFDC more than five years.

Time limits in H.R. 4 are unfair and will terminate individuals who do not have skills to obtain private sector employment. States may cut benefits off at anytime without having provided the recipients with services or assistance to prepare them for work. H.R. 4 includes a provision requiring recipients must work after they have received benefits for two years but the provision lacks teeth and will be virtually impossible to enforce. Recipients could not receive benefits after five years.

DEFICIT REDUCTION

The Substitute is the only welfare proposal that will reduce the deficit. Unlike the Mink substitute, the Substitute would significantly reduce spending on welfare programs. Unlike H.R. 4, the Substitute locks up the savings for deficit reduction instead of making the savings available to offset tax cuts or spending increases.

The substitute will reduce welfare spending by approximately \$10 billion. The Substitute would make approximately \$25 billion in cuts within the welfare system and provides an estimated \$15 billion in funds for work, child care and other programs over five years according to preliminary estimates. The net effect of the substitute will be to reduce welfare spending by approximately \$10 billion over five years.

The Substitute explicitly provides that the savings from the bill will be applied to deficit reduction. The substitute provides that none of the savings from the bill can be placed on the "PAYGO scorecard". This will ensure that the savings will not be made available to offset increased entitlement spending or tax reductions. The savings from H.R. 4 would be available to offset increased spending or reduced taxes and would not be applied to deficit reduction.

The Substitute locks-in savings from the elimination of discretionary programs. The substitute would reduce the discretionary spending caps to reflect savings from consolidating several discretionary programs for child welfare and child care assistance into capped entitlements. By contrast, H.R. 4 would increase the spending caps to reflect increased appropriations resulting from programs in the bill.

FOOD STAMP, NUTRITION, AND COMMODITY DISTRIBUTION

Nutrition programs - The substitute maintains nutrition programs for children and the elderly, including WIC and the school lunch program. These programs have produced significant and measurable outcomes among children that participate in them. The block grant structure proposed by the Republican plan will place children at risk by creating a funding mechanism that can't respond when the economy changes, and by eliminating nutrition standards responsible for improved children's health.

Strong anti-fraud and abuse provisions - The substitute is tougher in cracking down on food stamp fraud than the Republican plan. The substitute provides civil and criminal forfeiture for violations by grocers of the Food Stamp Act; authorizes USDA to suspend stores disqualified for violations; requires permanent disqualification of grocers who submit false applications; requires income and tax filing documents of applying grocers; permits disqualification of grocers disqualified from WIC; doubles penalties for individuals violating program rules; requires collection of claims against households by federal tax and salary offset.

Work requirement for Able-bodied recipients without children - After receiving food stamps for six months, a recipient must work at least half-time, participate in a public service program in return for food stamp benefits, or participate in an employment and training program; states may apply for waivers for areas with unemployment over 7% or lack of sufficient number of available jobs. The Republican plan terminates benefits after 90 days. CBO projects that 800,000 low-income individuals would be denied food stamps in an average month as a consequence.

Promotes expansion of EBT - States will no longer need to seek USDA approval to set up EBT systems.

Basic benefit level - Food stamp benefits are currently based on 103% of the thrifty food plan (TFP), the cheapest of four food plans designed by USDA and adjusted annually to reflect the cost of food. This substitute will base allotments on 102% of the TFP. H.R. 4 will eliminate the annual adjustment, and require allotments to be based on the most recent TFP, resulting in an erosion of benefits below what is needed to purchase the TFP.

Commodity distribution programs will be consolidated into a single discretionary program and administrative structure - The Emergency Food Assistance Program, the Commodity Supplemental Food Program, the program for soup kitchens and food banks, and the program for charitable institutions will be consolidated.

Coordination with AFDC, including sanctions for non-compliance in AFDC programs. Food stamp benefits would not be increased for individuals whose AFDC benefits were reduced as a result of a failure to comply with their obligations under AFDC.

Other savings - Benefits would be pro-rated from certification, energy assistance will be included as income, and the standard deduction and the funding for the Puerto Rico block grant will be frozen for one year.

Child Support Provisions

Research indicates that the potential for child support collections is approximately \$48 billion per year, yet only \$14 billion is actually paid. In short, there is a gap between what is currently received and what could be collected of about \$34 billion. The sponsors of the substitute that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support will ensure that children can count on support from both parents and that the costs of public benefits is reduced while a working mother's real income is raised. The goal of the substitute is to maintain and improve the child support system by promoting the benefits of two supportive and responsible parents. Our substitute includes strong child support enforcement provisions, which are basically an enhanced version of HR 785, child support legislation introduced by Reps. Johnson, Kennelly and others.

Establishment of a central registry for child support in each state. This will streamline the current collection and distribution of child support by keeping track of all support orders registered to the state.

Make interstate enforcement more uniform. Improve interstate enforcement through the adoption of the Uniform Interstate Family Support Act and other measures.

Increase paternity establishment by simplifying procedures and facilitating voluntary acknowledgements.

Establish and enhance hospital based paternity: The substitute would require states to offer paternity/parenting social services for new fathers; make benefits contingent upon good faith cooperation in paternity establishment (recipients provide full cooperation in establishing paternity prior to receiving benefits); require hospital based paternity establishment for all single mothers.

Enforce child support through demanding and uncompromising punitive measures for deadbeat parents. The substitute would strongly reinforce direct income withholding, allow states to revoke licenses (driver's, occupation, and professional), require states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payout, and other awards.

Teen Pregnancy

The sponsors of the substitute agree that long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. The substitute recognizes that changing the welfare system by itself is insufficient. It is critical that we make teens understand the rewards of staying in school and deferring childbearing until they are able to support themselves and their children.

The substitute eliminates government policies which encourage a teen parent to move out on their own, supported by the welfare system. The substitute would prevent minor mothers from setting up their own household by disallowing them from receiving public housing benefits. The teen parent would be required to live with a responsible adult, preferably a parent.

Allow states to link AFDC benefits to school participation by minor parents. Unlike the H.R. 4, the substitute would allow the states the flexibility they need to require teen parents to perform responsibly.

State flexibility to deny benefits to minor mothers. H.R. 4 mandates that the states cannot provide cash benefits to teen mothers. While some states may choose to pursue this option, many believe that this mandate will also lead to more teens opting to have abortions, an outcome that no one wants to see.

Give states the ability to limit benefit increases when additional children are conceived by parents already on AFDC (family cap). Non-welfare working families do not receive a pay raise when they have an additional child. Several states have requested waivers to implement this policy because they believe that it will reinforce parental responsibility. However, several states have indicated they would not institute a family cap because they believe that it would encourage abortion. The substitute offers the states the flexibility they need. H.R. 4 mandates a family cap.

COORDINATION OF PROGRAMS

Grants to community-based organizations for coordination of services. The substitute would authorize the Secretary of Health and Human Services to award at least one grant to each State to establish community-based organizations that would move recipients of public assistance programs into private sector work. Many communities are already attempting to consolidate programs and we believe this would provide them with additional incentives to further streamline the administration of programs at the local level.

To encourage community involvement, this provision would require local governments to provide at least 5% of the funding and would require the integration of at least 5 of the following services: case management, job training, child care, housing, health care services, nutrition programs, life skills training, and parenting skills.

Simplification and coordination of AFDC and Food Stamps. In an attempt to address the frustrations of both recipients and program administrators, the Deal substitute coordinates many of the application, eligibility, and income and resource considerations in the AFDC and Food Stamp programs. The income provisions, for example, would include energy assistance as income in determining eligibility for both programs, and would exclude income from dependent children who are students. The substitute would also coordinate any future income exclusions under Food Stamps and AFDC.

The substitute would also coordinate the exclusion from income of such resources as essential employment-related property, life insurance policies, educational assistance, certain JTPA income, and real property that the family is making a good faith effort to sell.

In addition, the substitute would streamline the waiver process. In its place, guidelines would be established so that, if a state plan meets them, then it will be approved by the Secretary of HHS.

With regard to work, the substitute would allow states to coordinate the food stamp work requirements with the AFDC Work First program. We provide sanctions for non-compliance with work requirements, but unlike the Republican proposal, we would not allow recipients to be dropped from food stamps unless they refuse to work.

SSI REFORM

Restrictions on Eligibility - The substitute eliminates the Individual Functional Assessment as a means of determining disability for purposes of SSI. This change was based on evidence collected by the GAO in their report, "New Functional Assessments for Children Raise Eligibility Questions" as well as from evidence gathered by SSA and the HHS Office of Inspector General.

The substitute acknowledges the fact that there is a large percentage of legitimately disabled children who qualified under the IFA process that would qualify under the medical listings. These children are not effected by the substitute. The substitute orders the Commissioner of SSA, within three months of enactment, to establish a functional equivalency standard for children with a combination of impairments. The substitute eliminates maladaptive behavior and psychoactive substance dependence disorder (drug and alcohol abuse) from the listing of impairments as means for qualifying for SSI. Within 10 months of enactment the Commissioner is required to review all IFA cases to check eligibility under the new criteria.

Continuing Disability Reviews for Certain Children: The substitute requires the Commissioner to conduct Continuing Disability Review's (CDR's) for each case at least once every three years to check improvement and eligibility (children whose impairments are permanent are exempted from this section).

During the CDR process the substitute requires that parents or guardians of recipients submit evidence that funds from the program as used to improve the condition of the child. The sponsors of the substitute believe that parents know better than states (as provided in H.R. 4) how to best care for their children. We simply want to ensure that funds are being used for the purpose for which they were awarded.

Disability Review Required for SSI Recipients Who are 18 Years of Age - A redetermination of eligibility is required within one year of a recipients 18th birthday. Recipients will no longer be automatically "rolled on" to the adult SSI program.

Denial of SSI Benefits by Reason of Disability to Drug Addicts and Alcoholics - Benefits to drug addicts and alcoholics are denied. \$400 million over five years is provided for substance abuse treatment.

H.R. 4 would terminate benefits for children on SSI from the IFA without due process. H.R. 4 would grandfather children who currently qualify under the listing of impairments. However, after enactment the only children who would receive cash would be those who qualified under the listings AND are institutionalized or would be so if they did not receive personal assistance services. All children who qualified under the IFA would be thrown off the program within six months and would therefore be denied not only SSI, but also Medicaid.

The block grant program in H.R. 4 for medical and non-medical services for all children who do not meet the institutionalization standard is seriously underfunded in its inception. H.R. 4 establishes a block grant. Former IFA children and new medical listings children could apply for such services which are available at the discretion of the states. By virtue of the CBO's scoring of the proposal, of the \$14.8 billion saved by the changes, only \$3.9 billion is available for the block grant services. In addition to the lack of funding, the states do not have to offer services to cover all possible disabilities. States have the option as to which services they want to offer, the amount and scope of each service, and which children will receive each service.

States do not want responsibility for an SSI block grant. Unlike AFDC and food stamps, the SSI program is strictly a federal program. The states have not indicated that they want the burden of administering a new program. In addition, the block grant approach is not supported by documented evidence or even a pilot testing program to attest to its effectiveness.

IMMIGRATION

The substitute "deems" sponsor's income in determining eligibility and benefits under welfare programs for legal aliens. Unlike H.R. 4, which denies benefits to legal aliens, the Deal substitute would count the income of an alien's sponsor in determining eligibility for AFDC, Food Stamps and SSI until citizenship. This process is known as "deeming". Illegal aliens would not be eligible for benefits.

The substitute makes affidavits of support legally enforceable. The substitute places responsibility for the welfare of legal aliens where it belongs -- on the sponsor who pledged to support the aliens.

The substitute applies legal immigrants who are sponsored. Unlike the Republican bill, the Deal substitute focuses on legal immigrants who have been brought into the country by sponsors. The substitute expands significantly the number of categories in which sponsors are required.

The substitute would not deny benefits to legal aliens whose sponsors are unable to provide for them. Under H.R. 4, legal aliens whose sponsors have lost their job or otherwise unexpectedly unable to support the alien would be eligible for benefits.

The substitute exempts legal immigrants who have paid taxes. Unlike H.R. 4, the substitute provides for an exemption to legal immigrants who have worked and paid FICA taxes for 5 years.

The substitute will not shift costs to states. By denying benefits to legal immigrants, H.R. 4 will force the States to care for legal immigrants without assistance from the federal government. States health care costs will increase as well as the costs to run their state general assistance programs. The substitute will have no such cost shift.



STATE OF DELAWARE
OFFICE OF THE GOVERNOR

THOMAS E. CARPER
GOVERNOR

March 21, 1995

The Honorable Richard Gephardt
H 201 Capitol
Washington, D.C. 20515

Dear Dick:

As one of the NGA's two lead governors on welfare reform, let me take this opportunity to bring to your attention my serious concerns about the House Republican welfare plan, H.R. 1214, which I understand will be considered by the House this week.

You may be aware that earlier this year, I announced my statewide welfare reform initiative, "A Better Chance." My plan seeks to ensure that 1) work pays more than welfare; 2) welfare recipients exercise personal responsibility; 3) welfare is transitional; 4) both parents help support a child; and, 5) two-parent families are encouraged, and teenage pregnancy is discouraged.

Under this plan, welfare recipients who go to work will receive an additional year of child care assistance and Medicaid, as well as part of their welfare grants for their families and an individual development account for continuing education, job training, and economic stability. Welfare recipients will be required to sign contracts of mutual responsibility, and a two-year time limit on cash assistance for recipients over 19 will be imposed, after which recipients will be required to work for their AFDC checks. Teenagers will be required to stay in school, immunize their children and participate in parenting education. To discourage teenage pregnancy, I've begun a grassroots and media outreach campaign to convince teens to postpone sexual activity or avoid becoming or making someone else pregnant.

In essence, Delaware's plan contains strong work requirements, addresses the critical need for child care and health care for poor working families, helps recipients find private-sector jobs, outlines a contract of mutual responsibility between welfare recipients and the state, imposes real time limits on benefits, and lifts barriers to the creation of two-parent families.

As I've reviewed the House Republican plan, H.R. 1214, I believe that it will undercut our efforts in Delaware to enact real welfare reform. As written, H.R. 1214 will not ensure that welfare recipients make the transition to work, will not give states the flexibility needed to enact real welfare reform, and will not assure adequate protection for children.

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Work

The House Republican plan, H.R. 1214, will not ensure that welfare recipients make the transition to work. The litmus test for any real welfare reform is whether or not it adequately answers the following three questions 1) Does it prepare welfare recipients for work? 2) Does it help welfare recipients find a job? 3) Does it enable welfare recipients to maintain a job? The Republican proposal, H.R. 1214, fails to meet this litmus test. This proposal will not do what the public is demanding, that is, ensure that welfare recipients work.

Real, meaningful welfare reform requires recipients to work and my welfare reform plan for Delaware contains stiff work requirements. However, this proposal not only does not include any resources for the creation of private sector jobs, but it would repeal the JOBS program, a program focused on assisting welfare recipients in preparing for and obtaining private sector jobs, and reduce funding for combined AFDC and work requirements. The JOBS program, a central component of the 1988 Family Support Act, received strong bipartisan support from Members of Congress, the Reagan Administration, and the National Governors' Association. The JOBS program in Delaware, "First Step", has been nationally recognized for its' success in training and placing thousands of welfare recipients in jobs. While I certainly support greater state flexibility in the use of JOBS funding, I am concerned that the elimination of this program without replacing it with a means for ensuring the transition from welfare to work would reduce the focus of welfare reform on work. I believe that additional resources, not less, should be targeted to ensuring that welfare recipients can successfully make the transition to work.

The Republican proposal, H.R. 1214, will not assure that families who work will be better off than those who don't because it would deny welfare recipients who go to work the child care, health care, and nutrition assistance they need to improve their lives and to keep their children healthy and safe. That is simply impractical and wrong.

For example, H.R. 1214 will not assure child care assistance to welfare recipients who go to work, or participate in job training or job search activities. In my state, I will be requiring welfare recipients to go to work, and to ensure that they can prepare for, find and maintain a job, I will be providing significant new state dollars for child care assistance. However, this legislation not only appears to reduce the child care assistance by roughly 20 percent over five years, but it would not account for projected increases in child care needs for welfare recipients who are required to work under the bill. I believe that it is unrealistic to expect many welfare recipients to keep

The Honorable Richard Gephardt

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working or participate in job training if they are not provided some assistance with child care.

Additionally, H.R. 1214 allows the one-year extension of Medicaid benefits for welfare recipients who go to work to expire at the end of fiscal year 1998. The expiration of this provision will remove both the work incentive that this provision provides, as well as the assurance that welfare recipients who go to work and their children can continue to receive health care coverage. I authored the one-year extension of Medicaid benefits which was adopted by the House in the 1988 Family Support Act, and I am disappointed that this legislation would not extend such a work incentive. I would urge consideration of an additional year extension of Medicaid for welfare recipients who go to work, as I am seeking in my federal waiver application.

State Flexibility

The House Republican plan, H.R. 1214, will not give states the flexibility needed to enact real welfare reform. In addition to the roughly \$69 billion projected loss in funding for these programs, H.R. 1214 significantly alters the federal-state partnership which has assured both federal and state support for children and families in need. Under H.R. 1214, states would not be able to count on increased federal support during times of recession, to help the thousands, perhaps millions of children and families who will need government assistance.

When I came to the Congress in 1982, I recall the state of our nation's economy. Working families who never thought they'd need the government's support, applied for government assistance. Both the federal and state governments reached out to these families and their children by providing critical support through this difficult time. I am deeply concerned about the next recession, or the next disaster, or the next unforeseen circumstance that will occur in my state, in any of our states or in our country, in which the people in our states will call for our assistance. This proposal makes no attempt to address these unforeseen calamities -- it does not include adequate adjustments for recessions, population growth, disasters, and other events that could result in an increased need for services. As you may recall, the welfare reform resolution which was unanimously approved by the governors at the National Governors Association meeting in January called for any block grant proposal to address such factors. I've attached a February 23 letter to Chairman Archer, signed by Governors Thompson, Engler, Carlson, Dean, Camahan, and me, outlining these and other concerns.

While I recognize that the bill includes a Rainy Day Fund, the meager size of the fund and the fact that it is a loan fund which states are required to repay within three years, rather than a grant to states, make it a wholly inadequate anti-recessionary tool.

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In addition, H.R. 1214 expressly prohibits states from using the funding under the cash assistance block grant to serve children born to unmarried mothers under 18, additional children born to mothers who currently receive AFDC, and children and families who have received AFDC for five years or more. Decisions on which populations to serve should be determined at the state level, not mandated by Congress. These provisions should be modified as state options.

Furthermore, states are required, under H.R. 1214, to reduce AFDC benefits for children for whom paternity is not yet established. I favor requiring full cooperation in paternity establishment as a condition of AFDC receipt, but I believe that this particular provision in H.R. 1214 discriminates against women who have fully cooperated.

I believe that this proposal's significant reduction in funding, lack of a safety net and recessionary tools, as well as its numerous prescriptive mandates, threatens to limit the very flexibility I am seeking to ensure successful reform of the welfare system in my own state, and very likely in other states.

Children

The House Republican proposal, H.R. 1214, will not assure adequate protection for children because it reduces the federal commitment to some of the country's most vulnerable children in a number of significant ways.

For example, H.R. 1214 eliminates the safety net for children by removing the entitlement status of AFDC. Under H.R. 1214, states are expressly prohibited from using these federal funds to serve millions of children, and the bill does not assure children, whose parents go to work, child care, adequate nutritional assistance, or health care coverage. By requiring states to reduce benefits to children for whom paternity has not yet been established, H.R. 1214 will negatively impact millions of children. The most egregious examples are the bill's dramatically reduced federal commitment to assist disabled children, children in foster care and adoptive placements, and children who are abused and neglected. Historically, Congress determined a federal responsibility to support children placed in foster care who came from AFDC-related households in the same way parents continue to pay child support while their children are in foster care. To end this relationship is a fundamental change in the federal government's national commitment to children.

In addition, H.R. 1214 reduces the federal commitment to a number of crucial child nutrition programs, namely school lunch and school breakfast, as well as WIC. During my tenure in Congress, I, along with most of my colleagues in the House, strongly supported the school lunch and breakfast programs because these programs have been critical in ensuring childrens' health and nutrition, and also strongly

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supported fully funding the WIC program. Over the past twenty years, WIC has been a critical program in dramatically improving the nutritional status of mothers and their infants. Proper nutrition during pregnancy and in the early years of life is the most critical element in the development of a child. WIC is cost-effective, as a noted Harvard study demonstrated -- every dollar invested in WIC saves three Medicaid dollars. I am disappointed that this legislation reduces WIC funding, and eliminates federal cost containment requirements to competitively bid formula rebate contracts, a provision which reduced WIC costs by a billion dollars in FY94.

I am concerned about the serious negative impact of all of the above provisions on children. None of these provisions are essential to transforming the welfare system and in some instances, e.g. child care reductions and removal of a federal guarantee of child care for welfare recipients who go to work, they will have the direct opposite effect on reform efforts.

It is disturbing to me that children who are most at risk are targeted under this bill -- this will only serve to put more children at risk and further exacerbate an already overburdened child welfare system. Early proposals in the Contract with America, spoke to the potential increased need for a safety net of foster care when hard time limits for welfare reform are put in place. To reduce funding for foster care while acknowledging increased demand from the very population federal foster care was designed to protect is illogical at best. Essentially, these provisions are outright discriminatory and unconscionable, and should either be modified or entirely removed from the bill.

In sum, this legislation will not transform the welfare system. Rather, it would severely undercut our efforts to reform the welfare system in my state. As I am seeking to ensure that welfare recipients prepare for, find, and maintain jobs, I am deeply troubled by this legislation's negative effect on reforming the welfare system here and elsewhere.

I am strongly opposed to H.R. 1214 and I would urge Members of Congress to vote against this legislation, and instead, support the Deal substitute, which in my view, represents real welfare reform. Representative Deal's legislation focuses on providing assistance to prepare welfare recipients for work, and to help welfare recipients find and maintain jobs, as well as ensure that work pays more than welfare, which H.R. 1214 fails to do.

Representative Deal's legislation, in contrast to H.R. 1214, appropriately establishes the framework of a federal-state partnership to transform the welfare system by giving the states the flexibility to pursue innovative approaches and the resources to successfully implement work-focused welfare reform.

The Honorable Richard Gephardt
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I appreciate the opportunity to share my concerns with you, and I look forward to continuing to work with you in the effort to transform our nation's welfare system.

Sincerely,

A handwritten signature in black ink that reads "Tom" followed by a long horizontal flourish.

Tom Carper
Governor

SIDE BY SIDE COMPARISON OF WELFARE REFORM PROPOSALS

	INDIVIDUAL RESPONSIBILITY ACT (Deal, et al substitute)	HR 4, Personal Responsibility Act (House Floor Version)	MINK PLAN
Time-Limits	Two-year limit on Work First; State option to develop own Community Service Program; Mandatory overall 4-year limit	Two-year limit on WORK; State option to develop own Community Service Program; Mandatory 5-year time-limit	Places no time-limits on recipients as long as they comply by their self-sufficiency agreement.
Participation Rates	Requires the following percentages of the caseload to participate in Work First program: 16% in FY 1997, 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, 52% in FY 2003 and each succeeding year.	Requires the following percentages of the caseload to participate in Work program: 15% in FY 1997, 20% in FY 1998, 25% in FY 1999, 27% in FY 2000, 29% in FY 2001, 40% in FY 2002, 50% in FY 2003 and each succeeding year.	Requires the following percentages of the caseload: 15% in FY 1997, 20% in FY 1998, 25% in FY 1999, 30% in FY 2000, 35% in FY 2001, 40% in FY 2002, 50% in FY 2003 and each succeeding year.
Making Work Pay More than Welfare	Expands child care assistance, transitional Medicaid and state option to eliminate provisions which penalize AFDC recipients who work. Includes welfare assistance in taxable income so that a dollar from welfare is not worth more than a dollar from work.	No provisions.	Expands child care assistance, transitional Medicaid, AFDC disregards, food stamp eligibility and housing benefits.
State Flexibility	States would develop own Work First program within general federal guidelines, state options provided include: creation of Community Service program; ability to recycle up to 10 percent of caseload back into program; option to implement family cap, eliminate marriage disincentives or liberalize income disregards. Provides incentive money if states want to put more people in Work First program	Allows states to create own work program without federal standards for work. State option to deny benefits to mothers under age 21 (mandatory for mothers under 18). Consolidates most nutrition programs into block grants. Allows for 10% recycle percentage.	States are giving more flexibility in implementing the JOBS program.

	Individual Responsibility Act	Personal Responsibility Act	Mink Substitute
Federal/State Relationship	Increases the federal share for child care and Work First program to 70% or the Medicaid matching rate + 10 whichever is higher. Retains the current federal/state role. Federal assistance would increase to reflect increases in the state's costs in operating the program.	Block grants AFDC, child care and nutrition programs; AFDC block grant would cut spending to the states by \$11.8 billion over five years. Child care block grant represents a 20 percent cut in funding over five years. The states would have to bear the burden of increases in the cost of the program due to inflation, increased caseload, recession or other factors.	Increases the federal share for child care and JOBS program to 70% or the Medicaid matching rate + 10 whichever is higher for states that reach certain success rates. Retains the current federal/state role.
Child Support	Tough child support enforcement for deadbeat parents such as drivers license revocation and liens on property; Strong paternity establishment requirements for mothers and states; Uniform interstate tracking; Holds grand-parents liable for financial support.	Similar in many respects to the child support provisions of the Deal substitute, except that it would cut AFDC benefits to children receiving AFDC for whom paternity is not established even if the mother fully cooperated; and does not include revocation of licenses.	Tough child support enforcement for deadbeat parents such as drivers license revocation and liens on property; Strong paternity establishment requirements for mothers and states; Uniform interstate tracking.
Teenage Pregnancy	Require minor mothers to live with parent or guardian & continue education; National Campaign on Teenage Pregnancy; State option to implement family cap.	Denies minor mother under age of 18 AFDC benefits; State option to increase this up to age 21; Mandates family cap proposal.	Current Law
Child Care	Consolidates child care assistance into one program. Maintains the individual entitlement for participants in employment programs and individuals moving off welfare; provides additional funding to states for child care assistance	States provide assistance with federal block grant. Eliminates individual entitlement for individuals in work programs or who are moving off welfare. Provides \$1.3 billion less in funding for child care assistance than provided in current law.	Increases child care funding for existing programs; does not consolidate programs; maintains individual entitlement for participants in work programs and individuals moving off welfare.

	Individual Responsibility Act	Personal Responsibility Act	Mink Substitute
Financing	Saves \$20 billion through cuts within the welfare system including: immigration changes, including AFDC and food stamps in taxable income, increased enforcement of fraud in EITC program, other changes.	Saves \$65 billion through cuts within the welfare system including: immigration, overall cap on anti-poverty programs and consolidation of most nutrition programs.	Saves \$20.25 billion through raising the top corporate income rate by 1.25% to 26.25 percent.
Immigration	Would count the income of the alien's sponsor in determining eligibility(deeming) for AFDC, Food Stamps and SSI until citizenship. Exemptions include individuals who have worked and paid taxes for at least five years, refugees, asylees and legal residents over 75 years of age and who have lived in U.S. for five years; Strengthens sponsorship agreements.	Denies federal assistance to legal aliens for SSI, Food Stamps, Medicaid and Title XX Block Grant Services. Exemptions for refugees, asylees, veterans and legal aliens over 75 years of age and who have lived in U.S. five years; Strengthens sponsorship agreements.	No Provisions
SSI	Eliminate maladaptive behavior from medical listings; Eliminates the IFA but provides that everyone in the IFA must be reassessed under the new functional equivalency standard issued by the Commissioner of Social Security; SSI benefits for drug addicts and alcoholics would be eliminated;	Eliminates IFA and terminates benefits to recipients whose eligibility was determined through IFA process. Current IFA recipients must reapply under the state block grant to receive any benefits; SSI benefits for drug addicts and alcoholics would be eliminated.	Current Law.

	Individual Responsibility Act	Personal Responsibility Act	Mink Substitute
FOOD STAMPS and NUTRITION PROGRAMS	Implements the recommendations of the USDA inspector general for strong provisions to reduce waste, fraud and abuse in the Food Stamp program; Requires that able-bodied recipients age 18 to 50 with no dependents to work after six months; Reduce thrifty food program from 103% to 102%. Maintains current law for WIC, school lunch and meals on wheels programs.	Eliminates entitlement status of nutrition programs such as WIC and school lunch and puts them into two block grants. CBO estimates school nutrition block grant will be cut \$2.3 billion over five years. The family nutrition block grant (WIC) will be cut by \$4.6 billion over five years. Food Stamps program would be cut by \$21.4 billion over five years.	Maintains current Law.
DEFICIT REDUCTION	Earmarks savings for deficit reduction.	Does not earmark savings for deficit reduction.	Does not earmark savings for deficit reduction.

Individual Responsibility Act of 1995 - Summary

Outline of Welfare Reform Substitute

Title I:	Time-Limited Transitional Assistance
Title II:	Make Work Pay
Title III:	The Work First Program
Title IV:	Family Responsibility and Improved Child Support Enforcement
Title V:	Teen Pregnancy and Family Stability
Title VI:	Program Simplification
Title VII:	Child Protection Block Grant
Title VIII:	SSI Reform
Title IX:	Financing
Title X:	Food Stamp Reform
Title XI:	Deficit Reduction

I. Time-Limited Transitional Assistance

The substitute emphasizes reconnecting welfare recipients to work. It would establish a two-year lifetime, Work First time-limited assistance program. The time limit would be measured from the date that an individual entered the Work First program. Individuals who exhausted eligibility under the Work First program would not be eligible at any time for AFDC benefits, but would be eligible, for two additional years, for either a Workfare job or a job placement voucher.

II. Making Work Pay

The substitute would ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare through the following provisions:

Health Care

- Transitional Medical Assistance (TMA) would be extended from one to two years.

EITC

- The substitute would improve outreach efforts to both recipients and employers to ensure that they make use of EITC. In addition, would allow State demonstration programs for advance payments of the earned income tax credit through.

Child Care

- Federal funding for child care assistance would be consolidated into a single program under the Title XX social services block grant. States would be required to submit one plan for all assistance under this program instead of being required to comply with four different sets of federal regulations for different federal child care programs.

- The program would incorporate and strengthen the provisions in the Child Care and Development Block Grant by ensuring that parents have maximum choice in child care.
- A consolidated block grant to states of \$1.4 billion a year would replace the At Risk Child Care program and the Child Care Development Block Grant. This represents an increase of nearly \$500 million above baseline over the next five years to offset the shortfall in the At Risk program.
- The individual entitlement for child care assistance for individuals participating in the Work First program, individuals on AFDC who are working and individuals who are leaving welfare.
- The federal government would reimburse states for the cost of the individual entitlement at 70% or the Medicaid matching rate plus ten percent, whichever is higher. Federal assistance to states for child care would increase to accommodate the increased number of individuals who need child care in each state as more individuals move into work.

AFDC Work Disregards and Asset Limitations

- The substitute would allow states to liberalize the earned-income disregards within an established federal guideline.
- The substitute would allow states to increase the vehicle asset threshold; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or up to \$8,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

III. Work First Program

Individual Responsibility Plan

- All individuals who enter the AFDC program must sign a comprehensive individualized individual responsibility plan. The plan will establish a contract detailing what the individual is expected to do to find private sector employment and what the state will do assist them in achieving this goal. If an individual refuses to sign a individual responsibility plan, AFDC benefits will be terminated.
- An individual responsibility plan must require that the individual begin job search immediately. The individual responsibility plan would set forth a plan for moving the individual into private sector employment as quickly as possible.
- The individual responsibility plan could also include provisions requiring that the recipient stay in school, maintain certain attendance and grades in school, attend parenting and money classes, attend treatment for substance abuse or other measures of individual responsibility.

Sanctions for non-compliance

- Benefits would be terminated for any individual who refused to work, refused to accept a job or refused to look for work.
- Individuals who failed to meet their obligations (other than the work requirements) would be subject to appropriate sanctions in their benefits to be determined by the state.

Work First Program

- States may require individuals to enter a Work First program to move the individual into private, unsubsidized employment.
- Each individual entering the Work First program must sign a contract of mutual responsibility which outlines the services that will be provided to the individual and the obligations of the individual.
- Work First programs could include a wide variety of services to move an individual into private sector employment, including job training, education, wage supplementation jobs, job placement services, assistance in creating microenterprises or other programs developed by the state to move an individual into work.

Requirement to enter Work First

- If the caseworker determines that an individual needs additional assistance to obtain private sector employment, the individual will be placed in the Work First program if space is available.
- When the program is fully phased in, all individuals who have not found private sector employment within a year after entering the system would be placed in the Work First Program and be subject to time limits.
- When the program is fully phased in, 52% of the entire AFDC caseload in each state must be in a Work First program.
- Individuals who are disabled, caring for sick parents or sick children and other individuals with special circumstances would be exempt from the requirement to enter Work First. Minors who are completing high school education would not be required to enter the Work First program.

Time Limits on Work First

- The "clock" for time limits would not begin until the individual entered the Work First program.
- Unlike H.R. 4, no one would be terminated without having at least two years of services to help the individual obtain employment.

- Any month in which an individual has worked an average of 25 hours in unsubsidized employment would not count toward the time limit.

State and Federal Partnership in Work First Program

The Work First program would be administered at the state level. The substitute encourages the states to tailor programs which meet their individual needs. However, the substitute also recognizes that states may not be able to develop a Work Program immediately. The substitute establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States could choose to adopt the Federal Model or adopt their own programs within the broad federal guidelines set in this substitute that require states to emphasis placing individuals in private sector employment.
- A State Work First program would automatically be approved if it meets the following basic criteria: 1) include services that would move an individual into private sector employment; 2) meets the participation rates; 3) provide sanctions for individuals who fail to comply with the program; and 4) adheres to the time limits.
- The substitute would provide funding for states to meet the costs of the Work First program as well as the increased caseload for child care costs. The substitute would establish a federal matching rate of seventy percent or the Medicaid matching rate plus ten percent, whichever is higher for the states. The substitute would provide approximately \$5 billion more than current law to put more individuals into the Work First program and \$4 billion more than current law to meet increased demand for child care services.

Workfare

At the end of **two** years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the **state** will have the option to provide those who have not found a job with a Workfare job in which individuals work for their benefits or a job placement voucher.

- Workfare jobs could be a full-time (30 hours or more) community service job or a subsidized job as described in the "Work First" section
- Wages in a community service job would be limited to 75% of the AFDC benefit the individual would have received. Individuals would be required to engage in 5 hours of job search.
- States would have the option to reduce the hours of work required in the Community Service jobs to 20 hours in 1996 and 1997, 25 hours in 1998 and 1999; and 30 hours in 2000 and thereafter.

- States would have the option to increase wages under Community Service jobs up to 100% of the AFDC benefit.
- Individuals who are not offered a Workfare job after reaching the time limit in the Work First Program would be given a job placement voucher that could be redeemed by a private employer who hires the individual and employs the individual for at least six months. The voucher would be equal to 50% of the AFDC benefit the individual would have received for the year.

Recycle Percentage

- States may readmit up to 10% of their caseload who have not found employment after two years in the Workfare program, or those who left welfare after finding employment and were forced to return but have no time left on the clock.
- States may petition the Secretary of HHS to increase this percentage up to 15% if they meet the economic hardship conditions set forth by the Secretary.
- The recycle percentage would be increased to 15% for all states in 2004.
- All recycled recipients will be reevaluated by a caseworker or case management team and a new employability contract will be established.

Participation Rates

- Participation in the Work First and Workfare programs would be phased in over seven years beginning in FY 1997, when 16% of a state's AFDC families must participate in the program. This percentage increases to 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.
- Individual who were placed in unsubsidized private sector employment would be counted as participants for twelve months after obtaining employment.
- Reduction in the welfare caseload due to the termination of benefits would not be counted toward a state's participation rate.

IV. Family Responsibility and Improved Child Support Enforcement

The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents. Specifically, the substitute would:

- Establish in each state a central registry to streamline the current collection and distribution of child support by keeping track of all support orders registered in the state.

- Improve interstate enforcement through the adoption of UIFSA and other measures to make interstate enforcement more uniform.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including strongly reinforcing direct income withholding.
- Increase paternity establishment by simplifying procedures and facilitating voluntary acknowledgements.
- Establish performance based incentives and reforms for paternity establishment.

V. Teen Pregnancy and Family Stability

The substitute sets up a national center which will serve as an information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs. Such centers would

- Develop and maintain a system for disseminating information on all types of adolescent pregnancy prevention programs;
- Develop and sponsor a variety of training institutes and curricula for adolescent pregnancy prevention program staff; identify model programs representing the various types of adolescent pregnancy prevention programs.

VI. Program Simplification

- Simplify the application and eligibility process for AFDC and Food Stamps. Twenty specific provisions are included in this substitute that will significantly improve this process.
- Unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

VII. Child Protection Block Grant

The substitute would consolidate eleven separate programs for child welfare and protective services into a capped entitlement within the Title IV program.

- The funds could be used by states for a wide variety of child welfare services, including protection for abused children, prevention activities and mechanisms to move children from foster care to permanent, stable environments.
- The substitute retains the guarantee of foster care and adoption services for abused and neglected children.
- The funding for the program would be set at current funding levels.

VIII. SSI Reform

The substitute would reform the SSI program to address the so-called "crazy check" problem in the child SSI program.

- The substitute would eliminate the current Individualized Functional equivalency standards, maladaptive behavior and psychoactive substance dependence disorder.
- The Social Security Administration would be required to revise functional equivalency standards within the medical listings:
- All children who are currently on the rolls as a result of the IFA process would be reevaluated under the new criteria.
- The substitute requires parents to demonstrate that funds received from SSI were used to assist the disabled child.
- SSI benefits for drug addicts and alcoholics would be eliminated.

IX. Financing

The substitute is financed entirely through cuts in the welfare system. In addition to savings through Food Stamp reforms in Title X and SSI reforms in Title VII, the major savings in the bill include:

Immigration

- The plan would count the income of an alien's sponsor in determining eligibility for AFDC, Food Stamps and SSI until citizenship. This process is known as "deeming".
- Aliens would be exempt from deeming if they have worked and paid FICA taxes for 5 years.
- Exemptions will be also be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years.

- Affidavits of support signed by sponsors pledging to keep an alien from becoming a public charge would be legally binding

Counting welfare benefits in taxable income

- The substitute would include income from AFDC and Food Stamps in adjusted gross income for determining taxes so that a dollar from welfare isn't worth more than a dollar from work in the tax code.
- Welfare benefits would not be used in determining eligibility for the Earned Income Tax Credit.

EITC enforcement

- The substitute would increase EITC enforcement to reduce fraud in the program.

X. Food Stamp Reform

The substitute would make several reforms of the food stamp program to require able-bodied recipients to work and to reduce costs of the program. Specifically, the substitute would:

- Implement the recommendations of the USDA inspector general to reduce fraud and abuse.
- Require able-bodied food stamp recipients between the ages of 18 and 50 with no dependents to work or enter a food stamp employment and training program within six months of receiving benefits. States must offer them a place in an employment and training program.
- Food Stamp benefits would be reduced from 103% of the thrifty food plan levels to 102%.

XI. Deficit Reduction

The substitute explicitly provides that all of the savings from the bill would be applied to deficit reduction.

- The direct spending savings would not be placed on the PAYGO scorecard (and therefore would not be available to offset tax cuts or increased entitlement spending).
- The discretionary caps would be reduced to reflect discretionary programs that are consolidated into mandatory block grants.

DRAFT

The Individual Responsibility Act of 1995

TITLE I: TIME-LIMITED TRANSITIONAL ASSISTANCE and TITLE III: THE WORK FIRST PROGRAM

- **Families that are assigned to Work First and then to Workfare will have a four-year time limit.** Individuals who are required to participate in the Work First Program will have their duration of benefits linked to their participation in the program. They are able to participate for up to two years. (The exact number of months will vary because the clock on time-limits does not begin until an agreement of mutual responsibility is signed, and those months when an individual works 25 hours or more per week in a private sector job would not be counted.)

States would have the option of a Workfare Program for individuals who have gone through Work First for two years and are still on the rolls. States can then require these people to participate in the Workfare Program for up to two more years, giving them up to two more years of benefits. Because the Workfare Program is a state option, states can operate only Work First, and limit benefits to two years.

Extensions can be granted under both the Work First and the Workfare program on a limited basis (see discussion below).

- **Individual Responsibility Plans:** All applicants and recipients over age 18 years, or who have not completed high school and are not attending secondary school, are required to sign an individual responsibility plan. The plan would set an employment goal and specify a strategy for moving the individual into private sector employment. The contents of the plan are left to the states, and may include Work First, keeping children in school, parenting classes, etc. New applicants are required to do job search as part of their individual responsibility plan, unless they are already working full-time in a private sector job. States can require parents to immunize their children.

Recipients must sign a plan within 90 days, or 180 days at state option. Applicants must sign within 30 days, or 90 days at state option, after they are found eligible for assistance.

Beginning in 2004, those who have not been employed within 1 year of signing an individual responsibility plan must be assigned to the first available Work First slot, unless they are ill or incapacitated, under 18, caring for an ill child or parent, or enrolled in school.

- **The Work First Program:** The bill provides a "federal model" for the Work First program, which would be a transitional model for states to use until they develop their own. Child care is guaranteed in Work First. Within five years, states would adopt the federal model or develop a state model using federal guidelines. The federal model requires:
 - A mutual responsibility agreement within 30 days, or 90 days at state option.
 - Participation of 30 hours per week. At state option, participation hours can be reduced to 20 hours per week in FY 1997-98, 25 hours in FY 1999, and 30 hours in FY 2000 and beyond.
 - The amount of benefits a family receives is based on the number of hours they attend their assigned activities.

The Work First model must include one of the following: a "revamped" JOBS program (based on the model used in Riverside, California), use of placement firms, temporary subsidized job creation, microenterprise, or work supplementation. A range of other activities is allowed, including education and training. States may also include substance abuse treatment.

The guidelines for state models follow the federal model, except there is no time limit within which agreements must be signed. States must follow the same requirements on hours.

Extensions to the time limit for Work First and cash assistance are allowed on a limited basis. The number of extensions allowed is 10 percent of the number of Work First and Workfare participants in the previous year. With approval by the Secretary, this could be increased to 15 percent.

- **The Workfare Program:** Under the optional Workfare program, individuals are required to work 30 hours per week in a community service job provided by the state. In addition, they are required to complete 5 hours of job search per week, for a total requirement of 35 hours per week. Optional hours for states are: 20 hours per week in FY 1997-98, 25 hours in FY 1999, 30 hours in FY 2000 and 2001, and 35 hours per week in FY 2002 and beyond. To satisfy the hourly requirements, an individual who is working part-time in an unsubsidized job, would also be required to take a part-time community service job.

In Workfare, individuals would be paid at a rate up to 75 percent of the maximum AFDC grant amount for a family of comparable size and composition with no income. These payments are not considered income for the purposes of EITC.

As in Work First, states would be able to give a limited number of extensions beyond two years to participants in the Workfare program, extending, also, their eligibility for benefits. The same percentages apply: 10 percent of the number of Work First and Workfare participants in the preceding year, increasing to 15 percent if the Secretary approves. The extension percentage under Workfare increases permanently to 15 percent in FY 2004. The duration of each assignment and the number of times a person can re-enter would be negotiated by the individual and the agency. An individual would not be able to participate in more than 3 workfare positions.

Child care is also guaranteed in the Workfare program.

- **Sanctions:** Families are denied benefits permanently if an individual refuses to accept an offer of employment. Families are denied benefits for six months or until the recipient agrees to comply, whichever is longer, when an individual refuses to work or look for work. A second offense would result in permanent denial of benefits. Persons who do not comply with their individual responsibility plan will have their benefits reduced by 33 percent the first time, by 66 percent the second time, and permanently denied the third time. Under the state Work First model and under Workfare, sanctioning policy is left to the discretion of individual states.
- **Job Vouchers:** Individuals who are no longer eligible for Work First because they have reached their time limit, and who are living in states that do not offer Workfare, must be given job vouchers to be used in obtaining employment. The voucher would be equal to 50 percent of the AFDC grant for 12 months. Vouchers can be redeemed by an employer after the individual has been employed by the employer for 6 months.

- **Performance Measures:** States must meet a participation rate which counts participants in both Work First and Workfare. The participation rate starts at 16 percent of all adult recipients in 1997 and increases to 52 percent by 2003. In the calculation of participation rates, states may receive participation credit for the first 12 months an individual is working in an unsubsidized job for 25 hours per week. Individuals using the job vouchers also count towards the participation requirement.

The Secretary could make recommendations on how to improve the program of states that fail to meet the participation rate for the first time. If a state failed to meet the participation rate for a second consecutive year, the Secretary could reduce federal AFDC payments by 5 percent or *require* the State to improve the program.

The Secretary must develop standards to measure the effectiveness of programs in moving recipients into the private sector.

TITLE II: MAKE WORK PAY

- **Extension of Transitional Medicaid:** States have the option to extend Transitional Medicaid by an additional twelve months.
- **EITC Outreach:** AFDC, food stamp and Medicaid recipients must be notified about the EITC upon application for and termination of program benefits. The IRS is to add a notice of the availability of the EITC and the Dependent Care Tax Credit on W-4 withholding forms. The Secretary of the Treasury may designate up to four state demonstration programs to test advanced payment of the EITC.
- **Dependent Care Credit:** The Dependent Care Credit is made refundable, and is phased out beginning with households with Adjusted Gross Income of \$60,000
- **Child Care Provisions:** The bill makes significant changes to Federal child care assistance programs. Major child care programs are repealed and two child care entitlement sections are created within the Social Security Block Grant (SSBG).

The SSBG provides for an individual entitlement to child care for AFDC recipients who are working or participating in approved training activities. Child care assistance for persons leaving welfare due to work is guaranteed for 12 months. Similar entitlements are repealed from title IV-A of the Social Security Act. The Federal share of the child care payments in this section of the SSBG will be the greater of 70 percent or the FMAP increased by 10 percentage points.

A capped entitlement program is created within the SSBG from which states are to fund child care. There are no eligibility requirements for this assistance, though priority must be given to low income families or low income geographic areas. The entitlement is funded at \$1.4 billion in FY 1997, and \$1.45 billion in fiscal years 1998-2000. The bill repeals the Child Care Development Block Grant Act and the At-Risk Child Care Program from Title IV-A of the Social Security Act.

The capped entitlement funding is distributed according to the number of children under age 13 residing in a state. States must use at least 80 percent of funds to provide direct child care services through certificates, vouchers, contracts or grants. Allowable uses for the remainder of the funding include activities to expand parental choices, to address deficiencies in supply,

or to expand and improve child care. Administrative costs to are limited to 7 percent of funding. The bill requires states to supplement and not supplant state, local and Federal expenditures for child care funds during fiscal year 1989.

- **Earned Income Disregards:** States may establish their own earnings disregard policies, so long as initial disregard amounts are between \$120 and \$225, and not more than 1/3 of remaining earnings are disregarded.
- **State Option for a Welfare Diversion Program:** States can set up welfare diversion programs in some or all of the state. Upon the recommendation of a caseworker, participating families would receive a one-time, three-month payment in lieu of monthly AFDC payments. This is designed to avoid the need for longer dependency on aid.
- **Increase in AFDC Asset Limitations:** The AFDC asset limit is increased to \$2,000, which is the same asset limit that presently applies to non-elderly households in the Food Stamp Program. The AFDC automobile asset limit is changed to reflect the limit established in the Food Stamp Program. Up to \$8,000 in assets set aside in a qualified asset account are disregarded. These funds can be used for education, the purchase of a home, and the establishment and operation of a microenterprise.

TITLE IV: FAMILY RESPONSIBILITY AND IMPROVED CHILD SUPPORT ENFORCEMENT

- **Centralized Support Order Registry and Collection Disbursement:** States must record all child-support orders established or modified in the State on or after October 1, 1998 in an automated state central case registry. States must disburse child support payments using an automated centralized collections unit for all orders subject to wage withholding on or after October 1, 1998. After October 1, 1999 all other orders are required to be recorded in the central registry. Parties may opt out of the payment of support through the centralized collection unit by filing a written agreement to an alternative payment procedure with the State agency. In addition to state central registries, an automated national Data Bank of Child Support Orders will be established and maintained within the Federal Parent Locator Service. States must supply and regularly update the Data Bank of Support orders with minimal case information on all child support cases contained in the state central registries.
- **Eligibility for CSE Services:** In addition to the existing current law requirement that CSE services be provided to each child receiving AFDC (i.e., transitional assistance under this bill) and each child for whom an individual applies for such services, States also are required to provide CSE services, on or after October 1, 1997, to each child for whom a support order is recorded in the central State case registry, regardless of whether an application is made for services.
- **Reporting of New Hires:** An automated Directory of New Hires will be established within the Federal Parent Locator Service. Employers are required to report information (i.e., W-4 form or equivalent information) on each new hire to the state directory. Failure to make a timely report would result in a penalty of \$500 penalty or 1 percent of the employees annual wages and other compensation. The Directory of New Hires must conduct automated matches of new hires against the Data Bank of Child Support Orders not less than every two working days and report information obtained from a match to the concerned State agencies not later than two working days after such match. States are required to generate orders and notices to

employers for the withholding of wages within two working days after receipt from the Directory of New hires (or any other source) that an employee is subject to withholding.

- **Interstate Child Support:** States are required to adopt, with the exception of a few modifications, the Uniform Interstate Family Support Act (UIFSA). States are permitted to enforce interstate cases using an administrative process. The Secretary must issue uniform forms for use of enforcement of child support in interstate cases.
- **Paternity Establishment:** For families seeking assistance for children born out of wedlock, cooperation with the child support agency in establishing paternity is required (as under current law). Under this legislation, the mother must meet a new, stricter definition of cooperation and determination of cooperation must be made prior to receipt of benefits. Failure to cooperate would result in the denial of assistance and Medicaid benefits. States are required to implement a variety of procedures designed to expedite and improve paternity establishment performance. States are required to publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support.
- **Funding and Performance Based Incentives:** The base matching rate is increased from 66 percent (which is current law) to 69 percent in FY 1997, 72 percent in FY 1998 and 75 percent in FY 1999 and all years thereafter. The existing system of incentive payments is replaced with a system of performance-based incentives and penalties for paternities established, orders established, collections, and cost-effectiveness. The incentives could increase States' matching rates up to a maximum of 15 additional percentage points over the new base rate of 75 percent. If the state fails to perform or submits incomplete or unreliable data, percentage penalties higher than current law would be taken against IV-D funds. States are required to recycle incentive payments back into the child support program.
- **Distribution and Pass-Through Policies.** State flexibility is increased by giving states the option to pass through all or a portion of child support to a family receiving temporary assistance and to allow states to disregard all or any portion of child support when determining the family's transitional assistance benefit amount. States are required to pass through and disregard for purposes of determining assistance benefit levels any child support collected on behalf of a child subject to the family cap. Transitional assistance recipients would receive all child support owed to them for periods before and after assistance receipt before the state can apply arrearages to the AFDC recoupment. Arrearages owed to the states are forgiven, under certain circumstances, to parents who marry or remarry.
- **Establishment and Modification of Support Orders:** A National Guidelines Commission will be established to study the issue of child support guidelines and make recommendations to the Administration and Congress. Every 3 years, at the request of either parent subject to a child support order, the State shall review and, if appropriate, adjust the order in accordance with state guidelines, without a requirement for any other change in circumstances. Upon the request at any time of either parent, the State shall review and, if appropriate, adjust the order in accordance with guidelines based on a substantial change in circumstances of either parent. Parents subject to a child support order must provide each other with a complete statement of their respective financial condition annually on a form which shall be established by the Secretary and provided by the State. The Secretary will establish regulations for the enforcement of such exchange of information.

- **Enforcement of Child Support Orders:** In addition to the establishment of a new hire reporting directory to assist in the enforcement of child support orders, additional enforcement tools that are required include: seizure of assets to satisfy arrearages; universal wage withholding; revocation or suspension of drivers, professional and occupational licenses owing past due support; increased access to personal and financial information; expanded use of credit reporting; routinized lien placing on motor vehicles, extending the statute of limitation for collection of arrearages to 30 years after the child's birth; the denial of passports, under certain circumstances, for citizens with past due child support; and procedures for seizure of lottery winning, settlements, payouts, awards, bequests and sale of forfeited property to pay child support arrearages.

TITLE V: TEEN PREGNANCY AND FAMILY STABILITY

- **Special Rules Focused on Teens:** Never-married minors receiving AFDC are required to live under responsible adult supervision; or, at state option, benefits can be denied to minor parents. Incentives and sanctions are created to encourage teens to attend school: benefits are reduced 25 percent if minimum attendance requirements are not met, and increased by 25 percent if minimum attendance requirements are maintained. Minors who have children out of wedlock are prohibited from being provided Federal housing assistance as a head of household.
- **Pregnancy Prevention:** A task force to reduce teen pregnancy is established. States are given the option to implement a "family cap." Child support payments for children affected by the cap are disregarded.
- **Family Stability:** States are given the option to eliminate the 100-hour rule for two-parent families. This option, combined with a provision in Title VI regarding the work history test for two-parent families, gives states the option to extend AFDC eligibility to two-parent families under the same eligibility criteria that are applied to single-parent families. The work history test for two-parent families is removed for families in which both parents are teens.
- **Additional State Flexibility:** States would be allowed to provide benefits to two-parent families for a duration less than that prescribed by the Federal government.

TITLE VI. PROGRAM SIMPLIFICATION

The bill includes several provisions that improve administrative efficiency, simplify program rules for recipients, and conform rules in the AFDC and Food Stamp Programs. This title of the bill also includes a section on fraud reduction in the SSI program.

- **Simplification of Program Administration:** States are given the option to provide benefits through electronic benefit transfers; the Secretary of HHS is required to approve or deny waiver applications within 90 days; states are given greater discretion in establishing budgeting methods and in using the Federal system to verify application information.
- **Simplification of Rules for Program Recipients:** Existing rules that target certain types of income received and resources held by a small minority of recipients are eliminated. For example, the bill excludes from resources essential employment related property and income producing property, and the cash value of life insurance policies. Income received by students and lump sum income is excluded from income.

- **Program Conformity:** Many of the changes made in this section of the bill conform AFDC and Food Stamp rules in areas of administration, resources, and income. Further, the bill stipulates that any future income exclusions made in either the Food Stamp or AFDC statutes must be accompanied by an identical exclusion in the other program.
- **Additional State Flexibility:** In addition to the flexibility provided to states discussed in other areas of this summary, states are given greater discretion to determine the eligibility of two-parent families for AFDC and to establish policies on fill the gap budgeting.
- **Fraud Reduction:** The bill encourages the Social Security Administration to reduce fraud and abuse in the Supplemental Security Income (SSI) program by simplifying program rules in the area of disability determination and definitions which govern eligibility for persons with disabilities. Also, the Commissioner of SSA is required to undertake a study of the feasibility of developing a tamper-proof identification card that can be used by Social Security Act programs and any health reform legislation that may be enacted.

TITLE VII: CHILD PROTECTION BLOCK GRANT PROGRAM

- **Foster Care and Adoption Assistance:** The entitlement for Foster Care, Adoption Assistance, and Independent Living, authorized under Title IV-E of the Social Security Act is maintained, as are the protections contained in Title IV-B of the Social Security Act (new section 422 (b)(9) of SSA) for children in or at risk of foster care placement.
- **Child Protection Program Consolidations:** A number of programs for abused, neglected and vulnerable children are repealed and consolidated into a new child protection block grant established as Title IV-B of the Social Security Act. The following programs are consolidated: Title IV-B Child Welfare Services, Title IV-B Family Preservation/Support, Title IV-B Research & Demonstration, Title IV-B Training, CAPTA State Grants, Children's Justice Act, CAPTA Discretionary, CAPTA Community Based Prevention, McKinney Act Family Support Centers, Adoption Opportunities, and Abandoned Infants Assistance.
- **Child Protection Block Grant Purposes:** The block grant is intended to provide states with funding for services for the full continuum of the child welfare system, including protection for abused or neglected children; prevention activities, including statewide networks of community-based family support services; and mechanisms to move children from foster care to permanent, stable environments (including adoption, reunification, and independent living).
- **Funding:** The block grant is funded as a capped entitlement to states at the current-services level of the programs being consolidated. Funds will be distributed according to current law under Title IV-B of the Social Security Act. Five percent of funds are reserved at the national level for the following purposes: two percent for projects of national significance, two percent for training and technical assistance, and one percent for payments to Indian tribes.
- **State Plan:** Each state shall submit a plan, developed jointly by the state and the Secretary after consultation with appropriate local and non-profit agencies. The state plan will explain how the state will carry out each of the purposes of this title. The plan will contain measurable goals (similar to planning requirements currently contained in Title IV-B, Subpart 2). States will provide an assurance that a reasonable amount of funding will be used to carry out each of the three parts of the state plan.

- **Matching Requirement:** States are required to provide a 25 percent match.

TITLE VIII: SSI REFORM

- **Restrictions on Eligibility for Children:** The individualized functional assessment (IFA) is repealed with SSI eligibility for children limited to those who meet the listings of impairments or have a combination of impairments which are considered disabling. Psychoactive substance dependence disorder and maladaptive behavior are eliminated from the listings and from the severity test in the mental impairment listings; this applies to children who apply after the bill is enacted. Those currently on the rolls would remain.

Within three months of enactment, the Commissioner of SSA must develop a functional equivalency standard that is separate from the listings; within ten months of enactment all children previously determined eligible through an IFA must be reevaluated according to the listings and the new functional equivalency standard. If SSA does not issue the new functional criteria and revise the listings within nine months of enactment, children currently eligible via an IFA would be terminated from the rolls.

- **Continuing Disability Reviews:** Continuing disability reviews (CDRs) are required at least once every three years for every child on the SSI rolls, except those whose disabilities are not expected to improve. As part of this review, parents or guardians must present evidence that SSI funds were used to improve the child's disability.

Within one year after turning age 18, all children who receive SSI must be reevaluated for eligibility, using the adult SSI criteria. Both the three year CDRs and the reevaluation at age 18 are effective upon enactment. SSA must report to Congress on the CDR activities.

- **Denial of SSI Disability Benefits to Addicts and Alcoholics:** Individuals whose addiction to alcohol or drugs is "material to the finding of disability" are made ineligible for SSI and also lose their Medicaid eligibility. Existing law regarding representative payee requirements for addicts and alcoholics, treatment requirements, monitoring and testing are eliminated for SSI.
- **Funding for Substance Abuse Treatment and Research:** Of the \$1.7 billion CBO estimates would be saved by the provision over 5 years, the bill moves \$400 million into substance abuse treatment and research programs administered by the Substance Abuse and Mental Health Services Administration and the National Institute on Drug Abuse (\$95 million per year into the Capacity Expansion Program and \$5 million per year into the medications development program). The funding would not be tied to treatment for this particular population.

Note: The bill language gives all \$400 million to the National Institute on Drug Abuse. However, the capacity expansion program is administered by SAMHSA, not NIDA. It is assumed that this is a technical error in the drafting.

TITLE IX: FINANCING

The Individual Responsibility Act is financed by cuts within the welfare system. There are several financing provisions in the bill, the largest of which reduces expenditures by extending sponsor-deeming rules for non-citizens.

- **Provisions Affecting Non-Citizens:** The bill extends sponsor deeming under SSI, Food Stamps, and AFDC to until the sponsored immigrant attained citizenship. The following are exempted from deeming: (1) legal permanent residents age 75 and over with 5 years residence in the U.S.; (2) honorably discharged veterans, active duty military, and their spouses and children; (3) immigrants that are victims of domestic abuse that have initiated divorce proceedings; and (4) immigrants that have paid FICA or self-employment taxes for 20 calendar quarters. No immigrant would lose Medicaid coverage due to loss of AFDC or SSI as a result of the sponsor deeming rules. The extended deeming period becomes effective October 1, 1996 and applies to current immigrant recipients.

The bill also makes the affidavit of support legally binding, enforced by holding sponsors liable for reimbursement to any Federal, state or local income-based cash public assistance program that provided benefits to any aliens they have sponsored. A sponsor's liability lasts until the immigrant: attains citizenship; becomes a veteran, active military person, or spouse or child of same; or pays taxes for 5 years. It also requires affidavits of support to be signed on behalf of the following immigrants: immediate relatives (children, spouses, and parents) of U.S. citizens; other specified relatives of citizens and legal permanent residents; and diversity immigrants. The legally binding affidavits of support become effective no later than 180 days after enactment.

- **Cap Expenditures in the Emergency Assistance Program:** Expenditures in the Emergency Assistance Program are capped at three percent of AFDC expenditures in the previous fiscal year (four percent if the state is experiencing high unemployment), or emergency assistance expenditures in FY 95, whichever is greater.
- **Include Assistance Benefits as Gross Income for Tax Purposes:** AFDC and Food Stamp benefits are counted as income for tax purposes.
- **Limitations on Eligibility for the Earned Income Tax Credit:** Earned income tax credits are not paid to individuals who do not include their taxpayer identification numbers on their tax return. This provision has the effect of denying the EITC to persons who are not authorized to work in the United States. The EITC is also phased out for individuals who have greater than \$2,500 of taxable interest and dividends. In calculating the EITC, taxable AFDC and Food Stamp benefits are excluded from gross income.

TITLE X: FOOD ASSISTANCE REFORM

Food Stamp Provisions

- **Provisions Affecting Retailers and Wholesale Food Concerns Accepting Food Stamp Coupons:** The bill includes several program integrity provisions. The Secretary of Agriculture is authorized to issue regulations establishing time periods for banning participation on the basis of business integrity and reputation. Food concerns that have an application denied due to failure to meet criteria for approval may not resubmit an application for six months.

The Secretary is authorized to establish criteria that provide for the immediate suspension of stores that are initially found to have violated program requirements.

Retailers disqualified from participating in the WIC program may also be disqualified from the Food Stamp Program.

Other provisions include authorizing the Secretary to issue regulations that provide for the permanent disqualification of food concerns that knowingly submitting an application that includes false information, and enhancing property forfeiture provisions related to the Food Stamp benefit violations.

- **Penalties for Food Stamp Recipients:** The penalty for violating Food Stamp Program requirements is increased to a one year ban from the program. The penalty is a permanent ban if the violation involves trading coupons for a controlled substance, or for a second violation of program requirements.
- **Food Stamp Program Changes:** The maximum Food Stamp benefit is set at 102 percent of the cost of the Thrifty Food Plan (current law is 103 percent).

The bill also makes several changes in program rules to conform with AFDC changes made in Title VI, for example, relating to the treatment of certain assets.

- **Recovery of Funds:** The bill mandates that States seek to collect overpayments via intercept of Federal tax refunds. Also, the bill extends the provision that allows states retain 25 percent of recovered claims. Under current law, this rate will increase to 50 percent in FY 1996.
- **Work Requirements:** The bill terminates eligibility for food stamp benefits after six months for able-bodied adults who have no dependents, unless they are working at least 20 hours per week or participating in a workfare program or another designated work and training program. This requirement can be waived by the Secretary if an area has an unemployment rate over 7 percent or does not have enough jobs to provide employment to those subject to the work requirement.
- **Individual Responsibility Plan:** The State is required to develop an Individual Responsibility Plan for each participant. The plan would set an employment goal, provide that participation in employment and training activities is a condition of eligibility, and establish other obligations of the participant. The plan may require the participant to enroll in the Work First program.

If an individual in the household refuses to work or participate in a state program, the entire household would lose eligibility for assistance. The state can establish sanctions for failure to comply with other requirements of the Individual Responsibility Plan.

- **Funding for the Employment and Training Program:** Funding for the Employment and Training Program is doubled, from the current level of \$75 million per year to \$150 million per year from FY 1996 through FY 2000.

The current performance-based allocation formula is removed.

- **Electronic Benefit Transfers:** States are encouraged to implement EBT transfer systems. States are given discretion to procure and implement EBT systems. The Secretary must act on waiver requests related to EBT systems within 90 days of receipt of a complete application.
- **Nutrition Assistance for Puerto Rico:** The funding level for nutrition assistance for Puerto Rico is \$1.143 billion for FY 1996.

Commodity Distribution Provisions

- **Authorization:** The Secretary is authorized to purchase and distribute commodities to the states for distribution. Funds may also be expended to process and distribute commodities of the type customarily purchased. The Secretary shall make purchases based on market conditions and the preferences and needs of states, distributing agencies and recipients.

The Secretary may use funds of the Commodity Credit Corporation to pay the costs of processing and packaging commodities for individual household use.

The Secretary shall establish procedures that provide for state, local, and private supplementation of commodities. States and recipient agencies may use certain administrative cost funds and equipment and facilities used for the distribution of commodities for the supplemented commodities.

- **State Plans:** A state plan must be submitted every 4 years, and must designate the responsible state agency, the plan of operation, and eligibility standards for recipient agencies and households.

States are authorized to enter into cooperative agreements with other states that serve needy persons in a single geographic area, and transfer commodities to other states as part of the agreement.

- **Allocation of Commodities:** Sixty percent of commodities shall be distributed to states based on the ratio of the number of persons in poverty in the state to the number of persons in poverty in all states; Forty percent shall be distributed based on the ratio of the average monthly number of persons unemployed in a state to the number of persons unemployed in all states.

In the event of a natural disaster, the Secretary may request that States unaffected by the disaster consider assisting those states affected by allowing the Secretary to reallocate commodities to adversely affected areas.

- **State Distribution Systems:** The State agency shall make its full allocation of commodities available to emergency feeding organizations. If such organizations will not exhaust the state's full allocation, remaining commodities will be distributed to charitable organizations. If commodities still remain, they may be distributed to any eligible agency.

- **Appropriations:** The bill appropriates \$260 million each year for FY 1996 through FY 2000 for the purchase, processing, and distribution of commodities to states. An additional \$40 million per year is appropriated for state and local administrative costs associated with the distribution of commodities by recipient agencies.

- **Commodity Supplemental Food Program:** \$94.5 million is appropriate each fiscal year to purchase and distribute commodities for the Commodity Supplemental Feeding Program serving Women, Infants, and Children or elderly individuals. Up to 20 percent of funds are available to cover state and local administrative costs.

If inventory levels permit, the Commodity Credit Corporation must provide at least 9 million pounds of cheese and 4 million pounds of nonfat dry milk in each year from FY 1996 through FY 2000 to the Secretary to carry out the commodity supplemental food program.

If a local agency has excess funds, the Secretary may allow the agency to serve low-income persons age 60 and over.

Commodities are prohibited from being considered income or resources for means-tested programs.

- **Implementation:** The Secretary shall issue regulations implementing commodity distribution provisions within 120 days of enactment.
- **Repealer:** The Emergency Food Assistance Act of 1983 is repealed.

TITLE XI: DEFICIT REDUCTION

- **Dedication of Savings to Deficit Reduction:** Discretionary spending limits and outlays are reduced by \$1.42 billion for FY 1996 and FY 1997, and \$1.47 billion for FY 1998.

TITLE XII: EFFECTIVE DATE

Unless otherwise specified in the bill, all provisions are effective October 1, 1996.

Major Differences
Deal/Democrat Substitute & Personal Responsibility Act
 March 17, 1995

Issue	Deal/Democrat Substitute	Personal Responsibility Act/HR 4
AFDC	Current failed <u>Federal program remains intact</u> , with tinkering around margins	<u>Replaced with block grant</u> to States, with few Federal guidelines but maximum State control
AFDC Entitlement	Remains	Ends
Work	"Job search" satisfies work requirement; <u>States must pay cash even to those not working</u>	<u>States may require work for benefits</u> , as opposed to looking for work, from day one
Unmarried Moms Under 18	Federal tax dollars <u>continue to provide</u> cash payments to minor unwed mothers if they live at home and stay in school.	Federal tax dollars <u>may not provide</u> cash to children having babies out-of-wedlock; non-cash benefits (diapers, etc.) could be provided
Family Cap	<u>States option to use Federal dollars</u> for extra cash to welfare families having more children	<u>No State may use Federal tax dollars</u> for extra cash to welfare families having more children
Aliens	<u>Aliens remain eligible for all current benefits; income of sponsor deemed to alien for AFDC, Food Stamps, and SSI only; sponsorship-made legally binding but not permanent</u>	<u>Aliens prohibited from AFDC, SSI, Title XX block grant services, Medicaid, Food Stamps; sponsor's income deemed to alien for all-local, State and Federal means-tested benefits; makes sponsorship legally binding and permanent</u>
State Role	Subject to <u>Federal program rules</u> , must spend State dollars as Washington wants	<u>Federal rules scrapped</u> , some limits on Federal dollars, complete flexibility on State dollars

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03/17/95

State Work Program

States submit their plan for approval by Washington D.C. bureaucrats; job placement vouchers, work supplementation, and workfare subject to Federal blessing

Each State designs own plan and does not need Federal approval before implementing; States given complete flexibility in using best methods to get people off welfare into work

Failure to Meet Work Standards

No immediate penalty on States--Secretary "may" propose "changes in State program"

States lose 5 percent of block grant in each year they fail to meet requirements

Work Versus Paperwork

States develop "individual responsibility plans" within 3 months that "may require individual (to receive) education, training, job placement, wage enhancement, or other services

States may require beneficiaries to work before receiving any benefits, without added paperwork or federally-mandated "plans"

Time Limits

Unlimited time on AFDC; 2 years on "work first;" States may not deny cash welfare without first providing at least 2 years of education, training or services

No more than 2 years of cash welfare without working (less at State option); no more than 3 added years of cash welfare while working (less at State option); States may require work, rather than education and training, for benefits

J:del/dff

THE REPUBLICAN WELFARE MESSAGE

March 16, 1995

- The welfare system is a broken, failed system that is cruel to children, and is even crueler to families.
- Republicans have a detailed plan to reform welfare and we will pass it.
- Our plan does three things:
 - 1) We make people work.
 - 2) We stress personal responsibility and create incentives for families to remain intact.
 - 3) We cut endless, unnecessary federal regulations and bureaucrats by returning power and flexibility to the states and communities where help for the needy can best be delivered.

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**Outline of H.R. 4:
Personal Responsibility Act
March 15, 1995**

- Title I. Cash Welfare Block Grant**
- Title II. Child Protection Block Grant**
- Title III. Subtitle A. Child Care Block Grant
Subtitle B. Chapter 1--Family Nutrition Block Grant
Chapter 2--School-Based Nutrition Block Grant**
- Title IV. Restricting Welfare and Public Benefits for Aliens**
- Title V. Subtitle A. Commodity Distribution Reform
Subtitle B. Food Stamp Reform**
- Title VI. SSI Reform**
- Title VII. Child Support Enforcement Reform**
- Title VIII. Miscellaneous**

Title I: Temporary Family Assistance Block Grant

March 1995

Four current cash welfare programs are merged into one block grant to States.

- Block grant funds are to provide cash benefits to needy families with children, end dependence on government aid, and discourage out-of-wedlock births.
- The individual entitlement to cash welfare ends; block grants are entitlements to States.
- Spending is capped at \$15.4 billion for 1996 through 2000, saving about \$5 billion.

Ending dependence on government assistance requires ending individual entitlements.

- As long as welfare offers a better short-run deal than working, many poor Americans will stay trapped on welfare. To get people into work, the entitlement to welfare must end and a definitive limit must be imposed on the duration of benefits.
- Accepting the "reforming welfare costs more in the short run" argument means that the poor will be even less likely to leave welfare for work. It deepens the current trap.

The current welfare system is a trap that keeps the poor dependent year after year.

- Of families now on AFDC, 65 percent will remain on welfare for at least 8 years.
- The average length of stay for people on the rolls at any given time is 13 years.
- Providing unlimited cash welfare is the opposite of compassion. Nothing—work, staying in school, or personal responsibility—is expected in return from the poor.

Most families work to support themselves. The same should be true of families on welfare.

- Welfare recipients must work after 2 years (less at State option) or lose cash benefits.
- After 5 years (less at State option), families receive no additional cash welfare.
- Today, during 5 years on welfare, poor families in a median State receive \$60,000 or \$12,000 per year in Federal AFDC, Medicaid and Food Stamp benefits.
- After 5 years, poor families could get \$8,000 per year in Medicaid and Food Stamps.

States are required to get poor families into work and are rewarded for success.

- States are required to get 50 percent of one-parent welfare families — 2.5 million families -- into work or work programs by 2003. 90 percent of two-parent families must work or be in work programs by 1998.
- States failing to meet these standards lose part of their block grant funds.
- Under block grants, States have an incentive to move the poor off welfare and into work. They can keep any savings and State tax dollars are freed for other purposes.

Block grants—Federal dollars—may not be used to pay welfare to some current beneficiaries:

- Mothers under 18 who have a child out-of-wedlock (or their child);
- Children born to families already on welfare;
- Parents not working after 2 years of receiving cash welfare;
- Families that have received cash welfare for 5 years; and
- Noncitizens (Except refugees, the aged, and veterans or active duty military).

Talking Points on Temporary Family Assistance Block Grant

March 1995

Minor Unwed Moms & the Family Cap

Democrat Argument: Limiting benefits is cruel to kids, and God will eternally damn those who try (no kidding--this is in some Democrats' dissenting views to the Ways and Means bill).

Republican Response: We must stop rewarding destructive behavior like children having babies outside of marriage and families on welfare having more children they can't afford. Under the Republican proposal, non-cash assistance (diapers, formula, etc.) may be provided and food stamps and Medicaid remain available, but cash payments would end. No responsible parent rewards an irresponsible child with cash payments and an apartment. No employer gives workers raises simply because they have another child. Taxpayers shouldn't have to, either.

Work Requirements

Democrat Argument: Republicans are tough on mothers and kids and weak on work.

Republican Response: Under our plan, welfare recipients not working after two years (less at State option) no longer receive cash payments. After 5 years, individuals face the ultimate work requirement -- no additional cash welfare, period. States are required to get 50 percent of one-parent welfare families -- 2.5 million families -- into work or work programs by 2003. 90 percent of two-parent families must work or be in work programs by 1998. States failing to meet these standards lose part of their block grant funds.

Cash Welfare Block Grant

Democrat Argument: States can't provide for the needs of the poor with a fixed block grant.

Republican Response: Under an entitlement system, States benefit more when the poor stay on welfare than when they move off into work, so of course spending growth is endless. Under the block grant, States have clear incentives to move the poor off welfare and into work. Giving States control over block grants and freeing them from the current morass of Federal rules and regulations will let them do much more with the same funding.

Adjustments in Funding

Democrat Argument: Fixed block grants can't account for recessions and shifts in population.

Republican Response: Nonsense. H.R. 1214 permits States to: (1) Save unlimited amounts of cash block grants in a State rainy day fund for recessions or emergencies; States can rollover excess amounts into general revenues, an incentive to save and get the poor off welfare and into work; (2) borrow from a new \$1 billion Federal rainy day loan account; (3) access a share of \$400 million in funding adjustments for growing States; and (4) transfer up to 30 percent of block grant funds to other block grants.

Title II: Child Protection Block Grant

March 1995

Abused and neglected children are protected through a new Child Protection Block Grant

- 23 current programs, including foster care and adoption maintenance payments, are merged into a block grant to protect neglected and abused children.
- Block grant funds increase from \$4.4 billion in 1996 to \$5.6 billion in 2000.
- Block grant funds are guaranteed to States; each State's share equals its share of Federal child welfare funds in 1994 or the average of 1992-1994, whichever is higher.
- Reforming the current system by repealing unnecessary regulations and programs and giving States flexibility will save taxpayers about \$2 billion over 5 years.

States will have greater flexibility to help at-risk children before they are abused.

- States can target block grant funds to the greatest need, for example intervening in families at risk of abuse before children are abused or neglected.
- Mountains of current federal regulations and mandates are scrapped. The principle of local control and accountability, tied with Federal funding and general oversight so children in poor States are not left behind, would replace the tired attitude that only Washington knows best when it comes to protecting abused and neglected children.
- Current federal regulations on States in just one area of child welfare law weigh more than 18 pounds, or more than many children the rules try but still fail to protect.

States can elect to increase Federal funds they receive to protect children.

- States may transfer up to 30 percent of other block grants' funds into the Child Protection block grant after enactment. As a result, depending on how many block grants are ultimately established, States could double resources currently available to protect abused or neglected children or those in foster care and adoption.
- States must maintain their 1995 level of spending on child welfare programs in 1996 and 1997. Only beginning in 1998 may States transfer up to 30 percent of Child Protection block grant funds to other block grants.

Local officials and citizens--not Washington bureaucrats--will work to protect children.

- States must establish citizen review panels to review States' performance in handling abuse and neglect cases. Panels will report their findings to the public and Congress.
- States have authority over block grants and the design of child protection programs.
- Congress will ensure that information about the well-being of endangered children, and the performance of States in helping these children, is collected and made public.

Children will no longer be delayed or denied placement in foster care or adoption due to race.

- Black children currently wait twice as long as white children before being adopted.
- Under the Republican bill, States that delay or deny the placement of a child for adoption or foster care due to the race, color, or national origin of the child or parent lose block grant funds.

TITLE III-Block Grants for Child Care and for Nutritional Assistance

Subtitle A--Child Care block grants:

- **Consolidates eight different federal child care programs into a single block grant to the States**
- **Funds the block grant at level equal to amount spent in FY94 on all programs combined (\$1.94 billion per year). Level funding at that amount for 5 years, FY96-2000**
- **Allocates state funds at the amount received by the state in FY94 under the four major formula programs**
- **Limits state administrative costs to 5%**
- **Removes 25% Centralized Planning set-aside from existing Child Care and Development Block Grant**
- **Maintains parental choice provisions of the Child Care Development Block Grant**
- **By merging federal funds into a single block grant, removing set-asides and giving States much greater administrative flexibility, Congress can provide more child care assistance for the same amount of federal dollars, and save nearly \$1.3 billion over 5 years**

Subtitle B – Family and School-Based Nutrition block grants

Chapter 1 – Family Nutrition Block Grant

- **Combines funding for WIC, Child Care Food Program, Summer Food Program, and Homeless Children Nutrition Program**
- **Not less than 80% of funds must be used for the purposes currently assigned to WIC**

- All program funds must be used to provide services to low-income families
- No more than 5% may be used for administrative purposes
- Funding subject to appropriations. State allocations based upon previous year's funding with a growing percentage each year based on the number of participants in each state compared to all other states

Chapter 2 -- School-based nutrition Block Grant

- Combines funding from currently separate school lunch and breakfast programs into a capped entitlement to the States.
- Overall funding is capped at a rate of increase of approximately 4.5% per year.
- States would be required to use not less than 80% of funds for low-income children. "Low income" would be defined by the State, but could not exceed 185% of poverty.
- Allows schools to submit ONE application operate School lunch and Breakfast, Child and Adult Care Food, Summer Food and Special Milk.
- State allocations based upon previous year's funding in the first year. In each subsequent year, a growing percentage is based on the number of meals served in each state compared to all other states.
- No more than 2% may be used for administrative purposes.

Nutrition Standards

- The School-Based Nutrition Block grant provides for the development of model nutrition standards for meals and supplements.

- The Family Nutrition Block Grant provides for the development of model nutrition standards for programs serving pregnant, postpartum and breastfeeding women and infants and children at nutritional risk.
- The National Academy of Science, Institute of Medicine, Food and Nutrition Board, is to develop standards for both block grants within six months of enactment. Within one year of the development of such standards, the Food and Nutrition Board is to report to Congress on efforts of states to implement such standards.
- States not adopting the model standards are to develop their own standards based on the most recent tested nutritional research available.

Subtitle C – Repeals relating to Child Protection Block Grant:

- 12 separate child abuse prevention and adoption programs in the Committee's jurisdiction. (Authority for those activities is included in Child Protection block grant authorized by Ways and Means bill)

Subtitle D – Related Provision

Republican Child Care Block Grant **Caring for Kids...Not Bureaucrats!**

- Streamlining makes **MORE** federal dollars available for child care

STATUS QUO:

For every \$100 --

- ☹ \$25 Set-aside for Centralized Planning Activities
- ☹ Average of \$7 for State Administration
- ☹ **JUST \$68 left for direct Child Care Services**

NEW BLOCK GRANT:

For every \$100 --

- ☺ No Mandated Bureaucracy Set-aside
- ☺ Limit of \$5 for State Administration
- ☺ **\$95 Available for Direct Child Care Services**

-
- Gives parents **MORE** and **BETTER** choices to select where their children are cared for
 - Federal money can "follow the parent" all the way from welfare to work
 - Gives States much greater flexibility to meet work requirements without creating huge demand for new services

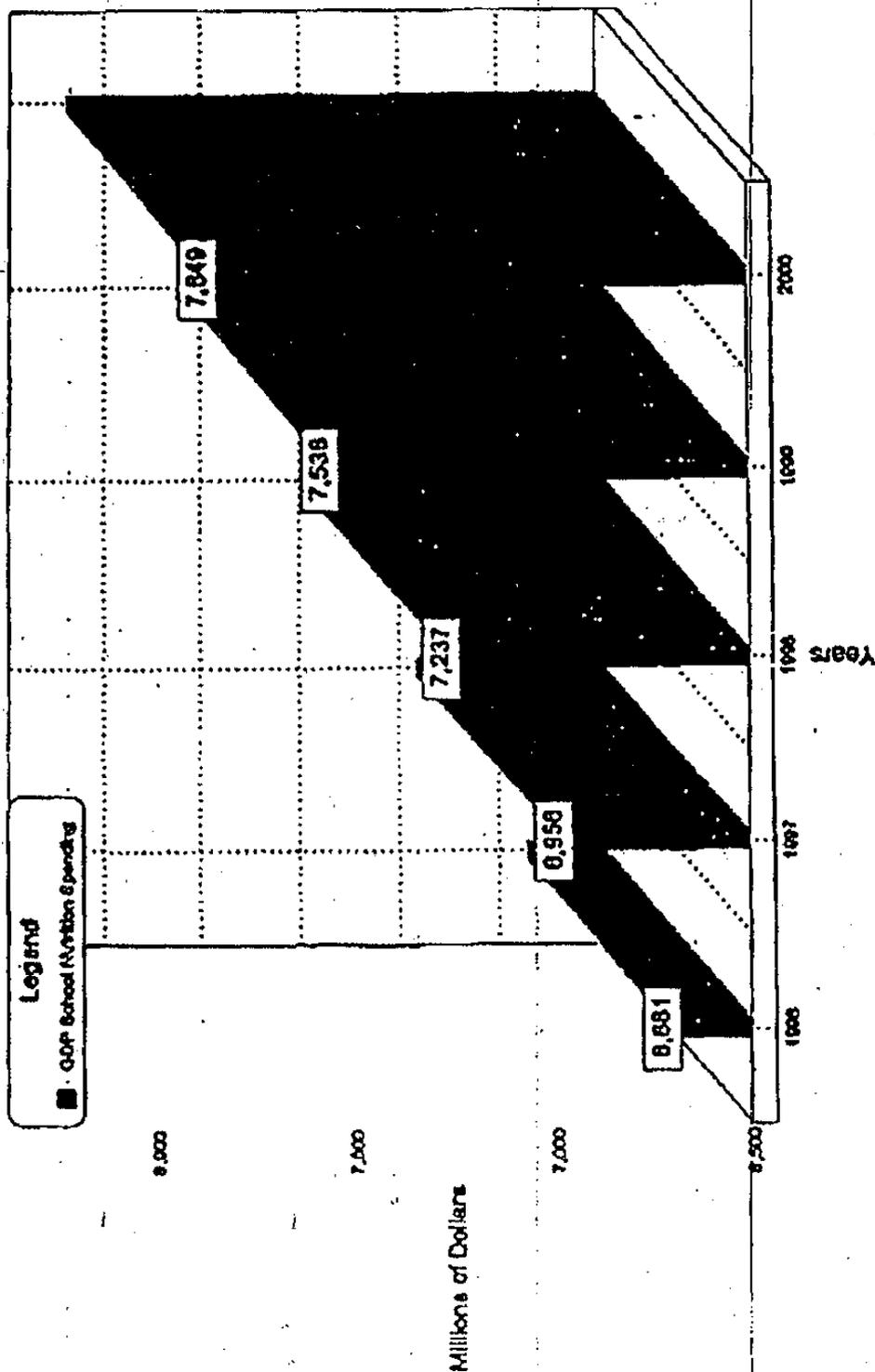
GOP Child Care Block Grant More Federal Dollars for Child Care Services

- o The improved Child Care and Development Block Grant will make more federal dollars available for direct Child Care Services under the control of parents.

Federal Funds Available for Direct Child Care Services Current Law vs. Proposed Block Grant (in millions)		
	Current Law (1995, CBO)	Block Grant
At-Risk	300	0
Transitional	195	0
AFDC Work-Related	585	0
Child Care and Development Block Grant	(\$935 appropriated, minus 25% Centralized Planning Set-aside) 701	 1,943
Total Available for Direct Child Care Services	1,781	1,943

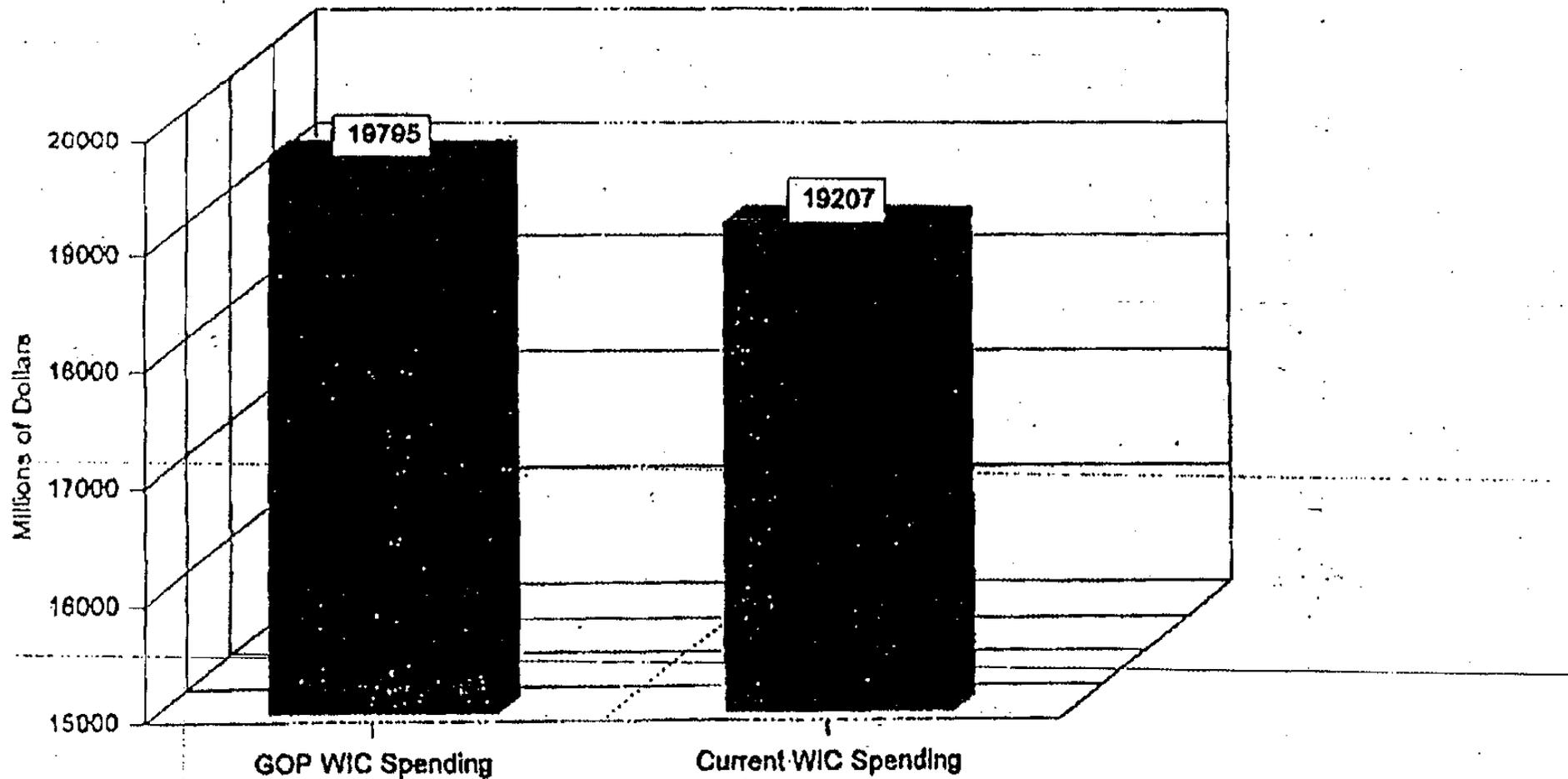
GOP Grows School Meals

School-Based Nutrition Spending



WIC Spending, 1995-2000

GOP Grows WIC



Ketchup as a vegetable - Talking Points

1) When raised in 1982, the so-called ketchup controversy was not related to the nutritional requirements of the school lunch program. It was a crediting issue. The USDA proposed to allow schools to count certain items toward the meal pattern requirements for the school lunch program. In fact, ketchup was never mentioned. The proposed regulation, which was driven by a congressional demand to help schools economize following budget reductions, used 'pickle relish' as an example of an item that might be given credit toward (not substituting for) the required vegetable serving. This same proposed regulation also would have permitted tofu, a highly nutritious food item, to count as a meat alternate in school lunches, something desired by almost everyone in the nutrition and diet community. Unfortunately, this proposal got lost in the furor over the crediting proposal, and has been avoided ever since.

2) The media furor over the 1982 crediting proposal and its politicization is a perfect illustration of the attitude of contempt that many in Washington seem to have for State and local government officials and service workers. Does anyone imagine that a school lunch worker would offer a child a half-cup of ketchup, or that a State would allow this to happen? What kind of people do they think operate these programs at the local level? And, even if they think people would do this, why would they, when it would cost more to serve a half-cup of ketchup than a half-cup serving of a vegetable? The idea that States would provide ketchup as a vegetable if left to establish their own nutritious standards is both ludicrous and insulting to the dedicated people who run food programs at the State and local level.

3) Last year, using data from a USDA study, the Assistant Secretary for Food and Consumer services blasted school meal programs for containing too much fat. Absent from much of the rhetoric was the same study finding that school meals provided all children with one-third of the recommended dietary allowance, which was the Federal standard. Now, after criticizing meal service programs for not meeting goals that were not required of the program, the Administration and others say that States and localities will not establish sound nutritional requirements for their food programs without a Federal mandate. If the Federal government was operating programs under nutrition guidelines that were putting too much fat into children's diets, as USDA officials claim was the case, what justification do they have for saying that the Federal government will do a better job of protecting children's nutrition than the States?

4) Last Summer, the USDA proposed changes in the meal pattern requirements for school lunches that would have eliminated the requirements for servings of fruits and vegetables and other food items. According to FRAC (Food Research & Action Center) the proposed regulations, which adopted a nutrient standard approach, would have added to local schools burdens, administratively and competitively, and would have permitted schools to meet various vitamin requirements through fortification. Moreover, the FRAC reported that the USDA proposed nutrient standard approach would mean "Inexpensive calories could be added to reach the one-third RDA goals by using large amounts of sugar in selected menu items." This means that the USDA proposal would have permitted schools to use ketchup (which contains large amounts of sugar) to count toward the proposed nutrient standard for calories contained in meals. In effect, to update an old saying, the regulation proposed by the USDA in 1994 would have permitted "ketchup to count as a calorie."

Title IV: Restricting Welfare and Public Benefits for Aliens

March 1995

Statements of National Policy Concerning Welfare and Immigration

This legislation promotes self-sufficiency and removes incentives to illegal immigration.

Alien Eligibility for Federal Benefits

Legal aliens are prohibited from receiving the following Federal benefits: Cash welfare, Medicaid, Food Stamps, SSI, and Title XX Block Grant Services.

Exceptions: Refugees for first 5 years in U.S.; legal permanent residents over 75 in U.S. for 5 years; veterans, active duty members of the U.S. Armed Forces and their spouses and dependents; and current residents for one year after enactment.

Illegal aliens are prohibited from receiving Federal means-tested benefits except emergency assistance, including emergency medical services.

Legal nonimmigrants (except asylees, aliens whose deportation is withheld, and temporary farm workers) are prohibited from receiving Federal means-tested benefits except emergency assistance; short-term parolees treated as nonimmigrants.

Alien Eligibility for State and Local Benefits

States are authorized to limit eligibility of legal aliens for State or local means-tested benefits except emergency assistance.

Exceptions: Refugees for first 5 years in U.S.; legal permanent residents over 75 in U.S. for 5 years; veterans, active duty members of the U.S. Armed Forces and their spouses and dependents; and current residents for one year after enactment.

Illegal aliens are prohibited from receiving State or local means-tested benefits except emergency assistance.

Legal nonimmigrants (except asylees, aliens whose deportation is withheld, and temporary farm workers) are prohibited from receiving State or local means-tested benefits except emergency assistance; short-term parolees treated as nonimmigrants.

Sponsorship Agreements

Sponsorship agreements are made legally binding and apply until the alien becomes a citizen. Income of the sponsor (and the sponsor's spouse) is deemed to the alien in determining eligibility for local, State and Federal means-tested programs.

Talking Points on Aliens & Welfare Reform

March 1995

America should be a land of opportunity, not welfare dependence, for immigrants.

- The U.S. economy has created 54 million net new jobs since 1960, and America offers more freedoms and protections than any other country. In return, we ask only that immigrants obey our laws and not go on welfare until they become citizens.
- Offering welfare to immigrants undermines work and encourages illegal immigration.
- Aliens over 65 are 5 times more likely to be on SSI than citizens over 65. Alien SSI applications increased 370% from 1982 to 1992, compared to 39% for U.S. natives.

Despite our tradition of opportunity and work, many immigrants receive public welfare.

- Except for refugees, the aged, veterans and members of Armed Forces families, and current residents for 1 year, aliens would no longer be eligible for the following benefits and Title XX Block Grant services, saving about \$20 billion in 5 years:

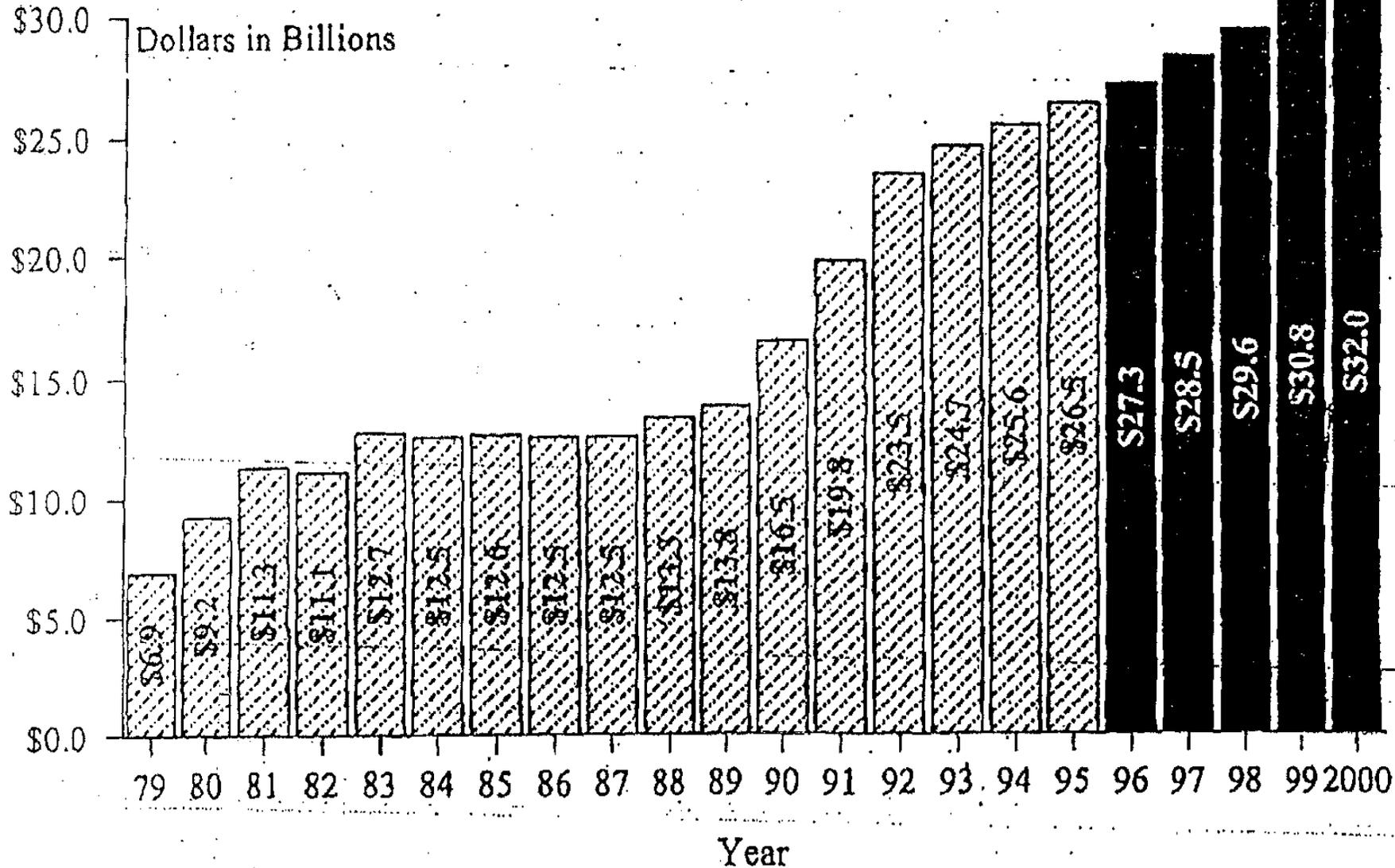
<u>Program</u>	<u>Aliens Enrolled</u>	<u>1993 Cost</u>
AFDC	721,000 legal immigrants, not counting citizen children of legal immigrants	\$1.15 billion
SSI	680,000 (1993); projected 2 million in 2000	\$3.3 billion
Food Stamps	1.6 million (1993); projected 4.6 million in 2000	\$1.3 billion
Medicaid	2.3 million (1993); projected to grow by almost 2 million by 2000	\$6.9 billion (GAO)

The Republican proposal strengthens current law and support American traditions.

- As early as the 17th Century, the Massachusetts Bay Colony prohibited the entry of immigrants likely to become paupers. Since 1882 Federal law has provided that probability of becoming a public charge is grounds for exclusion. Becoming a public charge is currently a deportable offense.
- 91% of noncitizens are hardworking residents not dependent on government. It is unfair for a small minority to undermine our traditions of work and opportunity.
- Under the Republican proposal, sponsorship agreements are made legally binding and apply until the alien becomes a citizen, so that the alien and his sponsor, not taxpayers, are responsible for the welfare of the alien while in the U.S.

Food Stamp Program Expenditures

Clinton Budget Projected Outlays



* All figures include administrative costs and Puerto Rico totals.

Title V

Original Cosponsors

1. Deal
2. Tanner
3. Clement
4. Lincoln
5. Thurman
6. Stenholm

1. Sonny Montgomery
2. Bill Lipinski
3. Tim Holden
4. Greg Laughlin
5. Bill Brewster
6. Collin Peterson
7. Jimmy Hayes
8. David Minge
9. Paul McHale
10. Scotty Baelser
11. L.F. Payne

Deal bill
WR ~~Stream~~
~~From~~

Mr. Reed,

Attached is our most recent draft. We will be adding a section on SSI reform that we have not completed. Also, we are considering the President's proposal on consolidating job programs into block grants to individuals. Outside of those additions I do not anticipate our bill changing unless Mr. Bienemy, the Governors or you having any suggestions.

We have not distributed the most recent draft our changes to anyone except, Liz Ryan in Governor Carper's office. So if you and Mr. Bienemy would continue to keep this to yourselves I would appreciate it.

For our meeting on Tuesday, in addition to our core group, I would like to invite Liz Ryan with Governor Carper's office to attend if this is agreeable.

Thank for all your help and I look forward to meeting seeing you guys on Tuesday.

Jon Spillman

2 yr - off
State Flex.
Work First - what actually requires it?

Welfare Reform Proposal - Summary

Outline of Welfare Reform Bill

Title I:	Time-Limited Transitional Assistance
Title II:	Make Work Pay
Title III:	The Work First Program
Title IV:	Family Responsibility and Improved Child Support Enforcement
Title V:	Teen Pregnancy and Family Stability
Title VI:	Community Service
Title VII:	Program Simplification
Title VIII:	Financing

I Time-Limited Transitional Assistance: Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. Imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. The two-year lifetime, **Work First** time-limited assistance program will transform a system based on the right to income maintenance into a system based on the obligation to work. This time-limited assistance would be phased-in, beginning in FY 1996, when 12% of a state's AFDC families must participate in the program. This percentage increases to 16% in FY 1997, 20% in FY 1998, 24% in FY 1999, 28% in FY 2000, 32% in FY 2001, 40% in FY 2002, until reaching 52% in FY 2003 and each succeeding fiscal year.

II Making Work Pay: Employment is the centerpiece of the initiative. Government policies must ensure that a welfare recipient will be better off economically by taking a job than by remaining on welfare. To do this, the current disincentives within the system that make welfare more attractive than work must be eliminated. There are five vital components in this regard:

*Health Care Reform - Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing Medicaid coverage deters many from taking low-wage jobs that do not offer health coverage. Our national policy must guarantee access to health care for America's poor families and children. Proposal would Extended Transitional Medical assistance (TAM) from one to two years or longer as needed until federal health care legislation provides health care assistance for all working poor.

* EITC - We strongly support the recent five-year, \$21 billion expansion of the Earned Income Tax Credit, enacted by Congress. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC.

Child Care - Federal funding for child care assistance would be consolidated into an earmarked grant under the Title XX social services block grant. Title XX is a capped entitlement program without specific authorization. This consolidated block grant would replace the Title IV (AFDC) child care program, the transitional child care program, the At Risk Child Care program and the 75% of the Child Care Development Block Grant used for direct child care assistance.

The earmarked funds for child care services would be \$2.6 billion in 1996, \$2.7 billion in 1997, \$2.8 billion in 1998, \$2.9 billion in 1999 and \$3.0 billion in 2000. The funding level for 1996 combines the funding for Title IV child care (\$528 million in fy 94), the transitional child care program (\$140 million in fy 94), the At Risk Child Care program (\$361.4 million in fy 94) and 75% of the Child Care Development Block Grant (\$669 million in fy 94) and increases the funding level by \$800 million to accommodate the costs CBO estimates will be required to accommodate the increased caseload resulting from the expansion of the Work First program and to eliminate current gaps in assistance under the At Risk Child Care program. The discretionary spending limits would be reduced to reflect the shift of discretionary spending under CCDBG program to the Title XX entitlement.

*AFDC Work Disregards - The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. As a result, welfare recipients who try to work are only marginally better off than by remaining on welfare. The proposal would allow states to liberalize the earned-income disregards within an established federal guideline.

*Asset Limitation - While work is a first step out of poverty, asset accumulation is necessary to keep a person out of poverty. The proposal would increase the vehicle asset threshold to \$5,000; increase the non-vehicle asset threshold for either AFDC or food stamps, capped at a level of \$2,000 or increasing non-vehicle level up to \$10,000 for specific use in setting up a microenterprise, purchase of a first home, or for higher education.

III Work First Program: The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections, and self-esteem necessary to become self-reliant members of the community. Education and training are important, but getting a real job is even more important. The bill would establish a WF program to move welfare recipients off of welfare into jobs.

The WF program would be administered at the state level. The bill encourages the states to tailor programs which meet their individual needs. However, the bill also recognizes that states may not be able to develop a WF program immediately. Thus, the bill establishes a Federal Model which each State would use until it develops its own program.

- The Federal model is expected only to be a transitional program until states develop their own programs.
- States are required to submit their own programs within five years of the enactment of this bill.
- States could choose to adopt the Federal Model or adopt their own program within the broad federal guidelines set in this bill that require states to place an emphasis on placing individuals in private sector employment.

IV. Family Responsibility and Improved Child Support Enforcement: Improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

- Enhance non-custodial parent location and identification by: Expanding the functions of the parent locator in the Department of Health and Human Services; requiring states to maintain registries of child support orders.
- Improve the process by which child support orders are established through creation of a National Child Support Guidelines Commission to oversee the child support process.
- Establish hospital-based paternity by: requiring states to offer paternity/parenting social services for new fathers; making benefits contingent upon paternity establishment (recipients provide full cooperation in establishing paternity to receive benefits); require hospital based paternity establishment for all single mothers.
- Enforce child support through demanding and uncompromising punitive measures for deadbeat parents including: strongly reinforcing direct income withholding; requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards; and require non-compliant

noncustodial parents delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child.

V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The proposal promotes individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits; requiring minor mothers to live with a responsible adult, preferably a parent; supporting a national education campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency; providing incentives for teen parents to stay in school; providing funds for states to create or expand programs for minor noncustodial parents to promote responsibility and work; and giving states the option of eliminating current disincentives to marriage.

VI Community Service - At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but the state will have the option to provide a welfare recipient with a full-time (30 hours or more) community service job and/or have access to placement and support agencies and/or subsidized jobs as described in the "Work First" section. States may readmit up to 10% of their caseload who have not found employment after two years of the Work First program and two year community service, or those who left welfare after finding employment and were forced to return but have no time left on the clock. These persons will be reevaluated by a caseworker or case management team and a new employability contract will be established.

VII Program Simplification - States bear a heavy administrative burden in implementing the AFDC and Food Stamps programs, mainly because of complicated, inconsistent and rigid policies. The operation of these programs should be simplified by unifying the policies that determine eligibility for these programs. We propose to simply the application and eligibility process for AFDC and Food Stamps. Some of the most time-consuming and difficult tasks in administering these programs are the initial procedure now required to take and process applications. Twenty specific provisions are included in this bill that will significantly improve this process. These include provisions to unify the application, deductions, eligibility, income, resources, certification and recertification rules for AFDC and Food Stamps.

Most importantly, our proposal would eliminate the waiver process which is so bureaucratic and gives too much discretion to the Secretary of HHS to deny state waivers simply because they do not like their program. In its place, our bill sets forth guidelines that if the state plans meet, then it will be approved by the Secretary of HHS.

VII Financing: Our proposal to finance this reform plan is based on a fundamental choice about values. We believe that we must help American citizens trapped in poverty break out of the welfare prison without imposing additional taxes or other hardships on working men and women.

Our plan proposes to end welfare for most noncitizens except for emergency medical services. Exemptions will be made for refugees and asylees for six years after they arrive and noncitizens over age 75 who have been legal residents for at least five years. It does not abandon new immigrants. Rather, it merely transfers responsibility for their welfare from the government to where it truly belongs--their legal sponsors, the American citizens who by law must endorse most immigrants' applications for citizenship based on the promise that immigrants will not become public charges. We propose a billion dollars of monetary assistance to states to be used under state discretion to aid their immigrant populations who will be detrimentally affected by this cut. In addition, we propose to give states the authority to sue a sponsor if an immigrant applies for state or local assistance and to mimic the federal government in denying state benefits to noncitizens. Throughout this process, we encountered several tough financing choices and our final decisions were not easily reached. However, we believe that our plan offers real reforms and opportunities for poor Americans without paying for it with a grab bag of additional taxes, fees, and cuts to programs outside the welfare system which adversely affect American citizens.

Funding: Our bill provides more funding for states to help meet the costs of the WF program as well as the increased caseload for child care costs. For the WF program, our bill would have a seventy-one percent matching rate or the Medicaid matching rate + ten percent, whichever is higher for the states. For Community Service, our matching rate would be seventy-one percent matching rate or Medicaid matching rate + ten percent for the Administrative costs, whichever is higher for state. For wages, it would be the Medicaid matching rate.

Welfare Reform Changes to Draft Proposal

1. Change Participation Rates

Proposal (Numbers in thousands)

FY 96	FY 97	FY 98	FY 99
600(12%)	800(16%)	1,000(20%)	1,200(24%)
FY 00	FY 01	FY 02	FY 03
1,400(28%)	1,550(32%)	2,000(40%)	3,200(52%)*

*and subsequent years

2. Adding language prohibiting minor mothers from receiving public housing.

3. Rework the recycle percentage.

a. Allow states to recycle up to 15% back into the system if the Secretary of HHS deems it is necessary.

1. States must petition the Secretary to allow them to increase the recycle % from 10% to 15%.

2. The Secretary shall develop recommendations on what criteria will be used to increase the recycle %.

4. Change the date applying to Child Support Enforcement provisions from January 1, 1995 to October 1, 1995

5. Enforce participation rates through giving less flexibility to states if they do not meet participation rates

a. States submit report each year on how they have complied with participation rates.

1. If state does not meet participation rates then Secretary HHS makes recommendations that the states may or may not have to comply. However, they must show how they will comply with participation rates.

2. If states fail to meet the participation rates for a second consecutive year then the Secretary may then mandate that the state must make some changes.

6. Capped entitlement program for states to offset the costs of welfare reform proposal

a. Provide \$250 million dollars for FY 97 - FY 2000

b. Require that INS develop numbers each years

1. Numbers must show total numbers and a state by state breakdown

c. Threshold in which states must have 4% of legal aliens to qualify for assistance

7. Will be putting in some SSI changes pertaining to children.

8. Considering Administration proposal to consolidate jobs programs into a grant for individuals